Catalogue No. 74-507-XPE

Canada's Retirement Income Programs:

A Statistical Overview (1990-2000)

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	Single issue
United States	CDN $ 6.00
Other countries	CDN $ 10.00

This product is also available in electronic format on the Statistics Canada Internet site as Catalogue no. 74-507-XIE at a price of CDN $41.00. To obtain single issue, visit our Web site at **www.statcan.ca**, and select Products and Services.

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Statistics Canada
Income Statistics Division
Pensions and Wealth Program

Canada's Retirement Income Programs:

A Statistical Overview (1990-2000)

Published by authority of the Minister responsible for Statistics Canada

February 2003

Catalogue no. 74-507-XPE
ISBN 0-660-18978-X

Catalogue no. 74-507-XIE
ISBN 0-660-18979-8

Frequency: Occasional

Ottawa

La version française de cette publication est disponible sur demande (74-507-XPF au catalogue).

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

Acknowledgement:

This publication was produced under the direction of Karen Maser and Josée Bégin.

The authors would like to thank:

- Karen Dorman and Lucienne Boisvert for the hours devoted to making this publication come to life;
- Lorraine St-Jean, for her work on coordinating the marketing and the production of this publication;
- Paul F. Stephenson and Hélène Lafleur for their review of this report.

In addition, we are very grateful to Alexandre Genest, Human Resources Development Canada, and Sylvie Michaud for taking the time to provide their comments and suggestions on this report.

Responsibilty for the contents, however, rests with the authors.

Methodology:

A description of the methodology and data quality for the surveys and data files mentioned in this publication is provided in the document *A guide to Statistics Canada Pension and Wealth Surveys*. This document can be obtained, free of charge, by calling us toll-free at 1 800-267-6677 or sending a fax to 1 877-287-4369 or by visiting our web site at www.statcan.ca (in the *Our products and services* Section).

Symbols

The following standard symbols are used in Statistics Canada publications:

.. figures not available.

... figures not appropriate or not applicable.

- nil or zero.

— amount too small to be expressed.

x confidential to meet secrecy requirements of the Statistics Act.

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Acronyms

ALW	Allowance and allowance for survivor
CAPSA	Canadian Association of Pension Supervisory Authorities
CCRA	Canada Customs and Revenue Agency
CIDA	Canadian International Development Agency
CLHIA	Canadian Life and Health Insurance Association Inc.
CPI	Consumer Price Index
CPP	Canada Pension Plan
C/QPP	Canada/Quebec Pension Plans
CRF	Consolidated Revenue Fund
DPSP	Deferred Profit Sharing Plan
EI	Employment Insurance
GIS	Guaranteed Income Supplement
HBP	Home Buyers' Plan
HRDC	Human Resources Development Canada
ITA	*Income Tax Act*
IWTA	*Income War Tax Act*
LF	Labour Force
LIF	Life Income Fund
LIRA	Locked-in Retirement Account
LLP	Lifelong Learning Plan
LRIF	Locked-in Retirement Income Fund
OAS	Old Age Security
OSFI	Office of the Superintendent of Financial Institutions
PA	Pension Adjustment
PAR	Pension Adjustment Reversal
PBSA	*Pension Benefits Standards Act*
PSPA	Past Service Pension Adjustment
QPP	Quebec Pension Plan
RCA	Retirement Compensation Arrangements
RPP	Registered Pension Plan
RREGOP	Quebec Government and Public Employees Retirement Plan
RRIF	Registered Retirement Income Fund
RRSP	Registered Retirement Savings Plan
SAADD	Small Area and Administrative Data Division
SERP	Supplementary Employee Retirement Plans
SFS	Survey of Financial Security
SPA	Spouse's Allowance
YBE	Year's Basic Exemption
YMPE	Year's Maximum Pensionable Earnings

Purpose

Canada has several key programs that play a critical role in providing support to people who have either retired or reached the traditional age of retirement. In 1996 Statistics Canada released *Canada's Retirement Income Programs: A Statistical Overview*, which focused on these programs. It provided descriptive information and statistics on the number of people contributing to and benefiting from these initiatives.

This publication updates this information. It will be accompanied by a CD-ROM (to be released in 2003) providing more detailed statistical information than can be conveniently included in a print publication. These two products will be produced on a regular basis and will consolidate the information previously published in:

- Quarterly Estimates of Trusteed Pension Funds (catalogue 74-001)
- Trusteed Pension Funds: Financial Statistics (catalogue 74-201)
- Pension Plans in Canada (catalogue 74-401)
- Retirement Savings through RPPs and RRSPs (catalogue 74F0002).

These reports will be discontinued.

Canada's Retirement Income Programs: A Statistical Overview (1990-2000) deals with the following programs:

Government-administered/sponsored plans[1]

- Old Age Security (OAS), including:
  - Guaranteed Income Supplement (GIS)
  - Allowance and Allowance for Survivors (previously Spouse's Allowance)
- Canada/Quebec Pension Plans (C/QPP)

Employer-sponsored plans

- Registered pension plans (RPP)
- Group registered retirement savings plans (RRSP)
- Other plans such as:
  - Deferred profit sharing plans (DPSP)
  - Retirement Compensation Arrangements (RCAs)

Individually sponsored plans

- Individual RRSPs

The intent of this report is to provide basic information on the origin and evolution of these programs, as well as a summary description of the current programs. The focus will be on **retirement** benefits (or benefits to persons who have reached a certain age), although some programs also provide survivor and disability benefits. The statistical information is for the 1990s, where data are available for that length of time, and is accompanied by a brief commentary and analysis of the data.

Requests for additional information and comments on the report should be directed to:

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[1] Information on retirement benefits provided by provincial government programs (other than the QPP) is not included.

ERRATA

Catalogue No. 74-507: Canada's Retirement Income Programs: A Statistical Overview (1990-2000)

Page 28 Note 6 (Table 2A-1). Age 60-64; survivor of GIS recipient

Should read

Note 6 (Table 2A-1). Age 60-64; widow/widower (or survivor).

Page 30 During 2000, an average of some 9.7 million persons aged 65 or older received an old age pension cheque…

Should read

During 2000, an average of some 3.8 million persons aged 65 or older received an old age pension cheque…

Page 30 In addition, close to one million persons aged 60 to 64 received the Allowance.

Should read

In addition, close to 100,000 persons aged 60 to 64 received the Allowance.

Page 117 **Allowance for survivors (formerly called Widow's/Widower's Allowance):** Federal allowance subject to an income test and available to persons 60 to 64 years who are survivors of a GIS recipient…

Should read

Allowance for survivors (formerly called Widow's/Widower's Allowance): Federal allowance subject to an income test and available to persons 60 to 64 years who are a widow/widower (or a survivor)…

Highlights

1. Introduction to Canada's retirement income programs

- Canada's retirement income programs have a long history. The first employer-sponsored (registered) pension plans (RPPs) were established at the end of the 19th century. Old Age Security (OAS) came into effect in 1952, registered retirement savings plans (RRSPs) in 1957, and the Canada and Quebec Pension Plans (C/QPP) in 1966.

- The percentage of the labour force belonging to RPPs declined during the 1990s, from 37% in 1991 to 33% in 1999. In contrast, the percentage contributing to RRSPs increased, from 32% in 1991 to 40% in 1999. Therefore, by 1999, there were more RRSP contributors than RPP members, a reversal of the situation that existed in 1991. Participation in the C/QPP, because it is compulsory for almost all workers in Canada, remained high—about 88% of the labour force.

- Over $66 billion was contributed to the three major retirement income programs (C/QPP, RPPs, and RRSPs) in 1999, up 65% from 1991 in current dollars and 47% in constant dollars. The largest percentage (39%) went into RRSPs, followed by 32% to C/QPP, and 29% to the RPPs. The most significant change from 1991 to 1999 was the proportion contributed by RPP members; it dropped from 43% in 1991 to 29% in 1999.

- At the end of 2000, almost $1.16 trillion was accumulated in the three programs. Although RPP contributions have not been increasing, as have C/QPP and RRSP contributions, RPPs still accounted for over 70% of the total. The steady increase in contributions to RRSPs helped boost the amounts accumulated. From 1990 to 2000, assets in RRSPs grew 159% (in current dollars), slightly more than the 148% increase for RPPs. The amount held in the C/QPP decreased up to 1998 and then increased in the next two years. These increases coincided with the steeper rise in the contribution rate and the move of the CPP towards investment in capital markets.

- Retirement income programs provide a significant proportion of the income of persons 65 and older. In 1999, private pension income (largely from RPPs and RRSPs), and income from Old Age Security and the Guaranteed Income Supplement (OAS/GIS) and the C/QPP accounted for 76% of the total income of this age group, up from 65% in 1990. Much of the increase can be attributed to private pension income, which grew from 18% of total income in 1990 to 29% in 1999. In addition, over half (55%) of those 65 and older received private pension income in 1999, up from 38% in 1990.

- A much larger proportion of men than women receive retirement income from private pensions and the C/QPP. This is because labour force participation has historically been considerably higher for men. Even in 1999, 67% of men reported income from private pensions, compared with 46% of women. However, the gap is shrinking; in 1999 it was 22 percentage points, down from 27 in 1990.

2. Government programs

Old Age Security /Guaranteed Income Supplement/Allowances

- In 2000, the Old Age Security (OAS) program cost the federal treasury over $24 billion, up 43% from 1990. OAS benefits accounted for more than three-quarters of that amount, while 21% was allocated to the Guaranteed Income Supplement (GIS) and 2% to the Allowances.

- Although the number of OAS recipients increases each year, reliance on GIS has declined considerably among seniors over the past two decades. This can be explained by the increasing importance of private pensions and the C/QPP.

- In 2000, more than half of OAS recipients in Newfoundland and Labrador, Prince Edward Island, New Brunswick, Northwest Territories, and Nunavut received the GIS. In the other provinces, the range was between 27% and 48%.

- More women than men rely on GIS. From 1990 to 2000, about 65% of people receiving both OAS and GIS were women, and 35% were men.

Canada and Quebec Pension Plans

- The CPP was designed in 1966 to be a pay-as-you-go-system. The value of all CPP benefits paid out exceeded the total income of the program during fiscal years 1994-1998. Studies done in 1996 concluded that contribution rates would have to rise to very high levels—to 14.2% by 2030—to maintain the program. To eliminate this possibility, the CPP Investment Board was created in 1998 to manage and invest contributions not immediately required for benefit payments. To fund the new program, contribution rates were scheduled to increase rapidly between 1998 and 2003 to a maximum combined rate for the employer and employee of 9.9%. The QPP has invested contributions for some years, and will follow the same rate contribution schedule as the CPP.

- Contributions to the C/QPP increased much more sharply than the number of contributors from 1990 to 1999 because of the increase in contribution rates. The number of contributors rose 6.6% whereas contributions more than doubled.

- Between 1990 and 1999, the number of women C/QPP contributors grew faster than the number of men contributors—9.8% and 4.1% respectively. The difference reflects the increased participation of women in the labour force over the 1990s.

- In 2000, 69.4% of total benefits paid out by the C/QPP were retirement benefits. Survivor benefits accounted for 16.5%; disability benefits, 12.9%; and death benefits, about 1%.

3. Employer programs

Terms and conditions of registered pension plans

- After experiencing a decline through most of the 1990s due to the economic recession, the number of RPP members has been increasing since 1997, as has sustained growth in employment. By the end of 2000, over 5.4 million paid workers were members of one of 15,355 registered pension plans, an increase of only 2% from 1991 to 2000.

- RPP membership of women was virtually unaffected by the economic recession unlike that of men. The number of men belonging to an RPP fell by 9% from 1991 to 1997, compared with a growth of 3% for women. The situation changed toward the end of the decade when RPP participation increased for both sexes. Women's participation grew by 9% from 1997 to 2000 and men's by 6% from 1998 to 2000.

- After a decline from 1991 to 1998, the percentage of paid workers belonging to RPPs (coverage rate) stabilized. While the number of members rose by 7% from 1997 to 2000, the coverage rate for RPP members has remained relatively unchanged since 1998 (41%). During that period, RPP membership grew by approximately the same percentage as the paid workers.

- From 1991 to 2000, all provinces except Newfoundland and Labrador and British Columbia experienced a drop in the percentage of paid workers covered by an RPP. The largest decreases occurred in Alberta, Quebec and Nova Scotia. At the end of 2000, the provinces with RPP coverage rates above the national average were Newfoundland and Labrador (52%), Manitoba and Saskatchewan (48%), and Nova Scotia and Quebec (42%). Usually, provinces with RPP coverage rates higher than the

national average had a majority of workers employed in the public sector. Coverage of public-sector workers far exceeded that of their private-sector counterparts (90% versus 28%).

- Despite the rise in the number of participants in defined contribution plans from 1991 to 2000, defined benefit plans continue to have far more members. In 2000, 84% of all pension plan members belonged to defined benefit plans.

Registered pension plan assets, investment and income

- At the end of 2000, the assets of RPPs were $817.6 billion, nearly 71% of the total value of the three major retirement income programs (C/QPP, RPPs, and RRSPs).

- The largest proportion of RRP assets (73%) were held in pension funds operating according to the terms of a trust agreement; these funds are invested in the financial markets. When adjusted for the effects of inflation, trusteed pension fund assets increased from $238.8 billion in 1990 to $598.2 billion in 2000. This overall increase of 151% is the equivalent of earning 9.62% compound interest annually.

- The net income of trusteed pension funds nearly quadrupled between 1990 and 2000 (from $15 billion to $56 billion), primarily because of profits earned from the sale of stocks. The very large net income levels in the latter part of the decade allowed some employers to increase benefits to retirees, or to take a 'contribution holiday'.

- The return on investment for the trusteed pension fund industry as a whole ranged from 7.4% in 1994 to a high of 12.6% in 2000.

- Foreign investment increased significantly over the decade. By 2000, it was $103.8 billion when measured at book value. This represented 19.8% of fund assets. The legislated limit throughout the decade was 20%.

Other programs

- Registered pension plans are not the only retirement income program sponsored by employers. Other programs, though they may have limited members, may result in considerable retirement savings for some employees. Included are deferred profit-sharing plans (DPSPs), supplementary employee retirement plans (SERPs), retirement compensation arrangements (RCAs), stock option plans, and other profit-sharing arrangements.

- In 1995, about 5,600 DPSPs were registered with the Canada Customs and Revenue Agency, and it was estimated that they covered approximately 350,000 workers.

- Because of the long-standing freeze on the maximum amount of pension entitlement from RPPs and recognition of the need to reasonably replace pre-retirement earnings, more and more employers are providing SERPs to their high-income workers.

- During much of the 1990s and prior to the recent severe downturn in capital markets, many employers, particularly those in such non-traditional industries as the high-tech sector, provided their workers with stock option opportunities.

4. Individual programs (RRSPs)

- From 1991, when new legislation governing RPPs, DPSPs and RRSPs came into effect, until the end of the decade, the number of persons reporting RRSP contributions on their tax returns increased by one-third. Moreover, total contributions grew by 90%.

- Over this time span, the percentage of taxfilers who contributed increased from 24% to 29%, and the average contribution grew from $3,200 to $4,540.

- Both the participation rate and average contributions varied for different age groups. In 1999, nearly 60% of contributors were between the ages of 35 and 54, and the highest per capita contributions were made by those at or close to retirement (age 55 to 64).

- The total amount of unused RRSP room grew over the nine years to over $250 billion, and more than 17.8 million persons could claim at least part of this amount.

- Not all RRSP deposits are held until retirement age.

During the 1990s, taxfilers under 65 cashed in one dollar for every five dollars contributed.

5. Retirement savings

- Private pension savings are a major component of the overall assets of Canadian families. In 1999, they accounted for close to 30% of the value of all assets. These assets consisted of an estimated $604 billion in registered pension plans, as well as $408 billion in registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs).

- About 8.7 million family units, or 71% of the total of 12.2 million, had some form of pension assets in 1999—whether in registered pension plans, RRSPs or RRIFs. For these 8.7 million, the median value of these assets was $50,000.

- Pension assets peaked for family units with a major income recipient aged between 55 and 64. In 1999, these family units, who would have been approaching retirement or just recently retired, had median pension assets of $160,300.

- Nearly 60% of family units had RRSPs or RRIFs in 1999, with a median value of $20,000. Although fewer family units had assets in registered pension plans (47 %), the median value of those assets was a much larger $49,300.

- The Survey of Financial Security estimated that 3.5 million family units, almost 29% of the 12.2 million total, had no private pension assets. Close to half (43%) of these had a major income recipient who was at least 45. This percentage represents over 1.5 million families, one-quarter of the total in this age group. For them, the income provided by OAS/GIS and CPP/QPP is, or will be, essential.

Chapter 1: An introduction to Canada's retirement income programs

by Karen Maser

How the system developed

Canada's retirement income system has been evolving gradually over more than 100 years. At the end of the 19th century, employer pension plans were offered to certain employees of the federal public service, the railways and some commercial banks, but to few others. The federal government took action to encourage the establishment of pension plans by individuals or by employers through the passage of the *Pension Funds Societies Act,* 1887 and the *Government Annuities Act*, 1908. With the amendment to the Income War Tax Act in 1919, employee contributions to employer pension plans could be claimed as a tax deduction, a further incentive to their creation.

By the 1920s, retirement savings programs were still available only to a small proportion of the employed or to those who could afford to finance an arrangement on their own. This changed in 1927 with the *Old Age Pensions Act*. It provided benefits (subject to a means test) to persons 70 or over, regardless of their employment history. No contributions were required, the program was financed from federal and provincial government revenues.[1]

[1] The federal government originally supplied 50% of the required amount, increasing over time to 75%.

Between 1950 and 1970, the retirement income system expanded considerably:

1952: *The Old Age Pensions Act* was replaced by the *Old Age Security Act*. It provided a flat-rate benefit to all persons 70 or over meeting the residency requirements (income and work history were not considered). This program has since been significantly expanded and now provides a supplementary benefit to low income seniors, as well as benefits to qualifying spouses/partners and widow(er)s.

1957: Registered retirement savings plans were introduced, primarily to provide self-employed persons and employees without an employer pension plan with a means to save for retirement.

1961: Tax assistance provided to employer pension plans was extended to employer contributions to deferred profit sharing plans.

1966: The Canada and Quebec Pension Plans became effective. These plans covered almost all workers in Canada, providing a basic retirement benefit. Both the employee

and the employer were required to contribute (the self-employed paid both shares).

1965 to 1970:

Legislation regulating employer-sponsored registered pension plans came into effect in Ontario, Quebec, Alberta and Saskatchewan, and nationally for plans sponsored by employers subject to federal regulation. Since 1970, all provinces except Prince Edward Island have implemented legislation to regulate the operation of employer pension plans. Beginning in the mid-1980s this legislation was significantly expanded in most jurisdictions.

More details on the origin and operation of these programs are given in subsequent sections.

The system now

Today's retirement income system[2] has several major components (Figure 1-1):

Government administered/sponsored plans

Old Age Security (OAS) / Guaranteed Income Supplement (GIS) / Allowances

This program guarantees a minimum income to all persons 65 or older. It provides a basic flat-rate benefit (the OAS portion) to all persons with net income below a specified amount. For 2002, the benefit is reduced if net income for 2001 exceeded $56,968 and is eliminated altogether if net income was $92,435. A supplementary benefit (the GIS portion) is paid to those with little or no other income and an allowance provided to the spouse/partner of OAS pensioners and widow(er)s aged 60 to 64 with limited income. Benefits are paid from the federal government's consolidated revenue fund; no contributions are required[3]. As of January 2002, a 65 year-old single person with no other income received $968.74 a month; a couple, $1,570.66.

Canada and Quebec Pension Plans (C/QPP)

These plans are directed at the employed. They cover almost all workers in Canada and are compulsory for those 18 or over. Contributions are made, on earnings

Figure 1-1 Canada's retirement income programs

Sponsored / administrated by	Program	Year introduced
Government	Old Age Security	1952
	- Guaranteed Income Supplement	1967
	- Allowance and Allowance for Survivors (previously called Spouse's Allowance)	1975
	Canada and Québec Pension Plans	1966
Employer	Registered pension plans	1800s: first plan 1919: recognized in tax legislation 1965: first regulatory legislation
	Group registered retirement savings plans	
	Other programs such as:	
	Deferred profit sharing plans	1961
	Retirement compensation arrangements	1987
Individual	Registered retirement savings plans	1957

The term retirement is used although OAS, for example, provides a benefit regardless of whether the person was previously employed or has ceased working.

3 Until 1971, a percentage of taxable income was earmarked as an OAS tax.

up to a specified maximum level, by both employees and employers (the self-employed pay both portions). The maximum benefit provided is approximately 25% of the average wage. In 2002, the employer and employee each contribute a maximum of $1,673.20; the maximum benefit is $788.75 a month.

In addition to the above, a number of programs sponsored by provincial governments provide income supplements to low-income seniors. These programs are described in Appendix A.

Employer-sponsored plans

The most common employer-sponsored plans are registered pension plans (RPPs) and group registered retirement savings plans (RRSPs). Other employer-sponsored programs include deferred profit sharing plans (DPSPs) and retirement compensation arrangements (RCAs). For the most part these plans are designed to replace employment earnings that cease at retirement. Employers and, in most cases, employees contribute to RPPs. Group RRSP contributions are considered to be part of an employee's earnings. Only employers contribute to DPSPs.

Minimum standards for RPPs are prescribed in federal and provincial pension legislation; RRSPs and DPSPs are subject to the provisions of the Income Tax Act. Amounts accumulated in RPPs must be used to provide an income at retirement. This is not required in the case of group RRSPs and DPSPs.

Employer-sponsored plans are not compulsory; therefore their use is far from universal.

Individually sponsored plans

Registered retirement savings plans (RRSPs) offer individuals with earned income (primarily employment earnings) a tax incentive to save, within limits, for retirement. Contributions to these plans are, however, entirely voluntary. Income tax is not paid on contributions within certain limits. As well, investment earnings on the money in these funds is not taxed. Although the intention is that this money be used to provide a source of income after retirement (or after a certain age), lump sum amounts can be withdrawn at any time, and then become taxable.

The retirement income system described here is sponsored, administered or encouraged (by providing tax incentives) by both federal and provincial governments. Savings outside these programs also provide an important source of income/support at retirement. Personal savings fall into this category as does the acquisition of assets such as a home. Because less is known about the extent of these savings and

Table 1-1 Number of contributors to Canada/Quebec Pension Plan, Registered pension plans and Registered retirement savings plans

Year	Labour force	Paid workers	C/QPP[1]	Percentage of labour force	RPP[2]	Percentage of labour force	RRSP[3]	Percentage of labour force
	No. '000	No. '000	No. '000	%	No. '000	%	No. '000	%
1991	14,482	11,715	12,727	87.9	5,318	36.7	4,558	31.5
1992	14,562	11,632	12,466	85.6	5,245	36.0	4,739	32.5
1993	14,739	11,701	12,417	84.2	5,215	35.4	5,039	34.2
1994	14,905	11,915	12,638	84.8	5,170	34.7	5,276	35.4
1995	14,995	12,133	12,793	85.3	5,150	34.3	5,768	38.5
1996	15,212	12,193	12,860	84.5	5,115	33.6	6,081	40.0
1997	15,216	12,269	13,171	86.6	5,088	33.4	6,256	41.1
1998	15,479	12,542	13,635	88.1	5,091	32.9	6,235	40.3
1999	15,775	12,944	13,993	88.7	5,268	33.4	6,259	39.7

Note: The number of C/QPP contributors is greater than the number of paid workers as the former includes persons who contributed at any time during the year and the latter is an annual average.

1. Canada/Quebec Pension Plans
2. Registered pension plans
3. Registed retirement savings plans

Sources: Labour force, paid workers: Labour Force Survey (armed forces have been added), Labour Statistics Division, Statistics Canada.
C/QPP : Human Resources Development Canada, Régie des rentes du Québec.
RPP : Pension Plans in Canada Survey, Income Statistics Division, Statistics Canada.
RRSP : Canada Customs and Revenue Agency. Excludes those whose only contribution to an RRSP was in the form of rollovers of retiring allowances, or rollovers to a spousal RRSP from RPP or DPSP income.

because it is not possible to determine how they will be used, they are not considered in this publication[4].

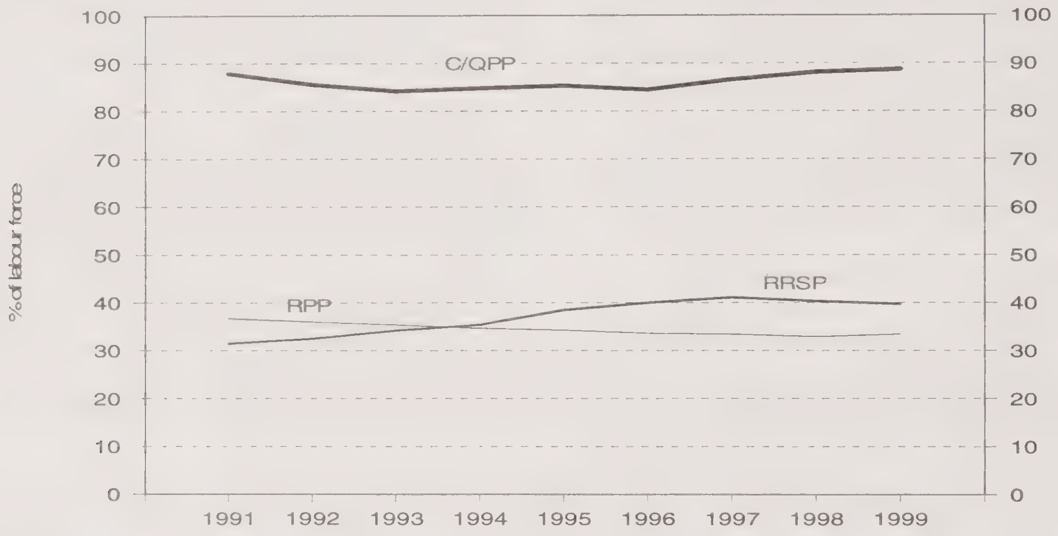
The contributors and their contributions

From 1991 to 1999, the proportion of the labour force contributing to the C/QPP has remained relatively constant. Because the C/QPP is compulsory for almost all workers in Canada, participation is very high, generally about 88% of the labour force (Chart 1-1, Table 1-1). The unemployed constitute the largest share of the non-participants. Therefore, in years when the unemployment rate was higher, the percentage contributing to the C/QPP tended to be lower.

allowances to an RRSP or rolling RPP or DPSP income to a spousal RRSP.

Contributions (by the employee and employer, as applicable) to all three programs amounted to over $66 billion in 1999, up 65% from 1991 in current dollars and 47% in constant dollars (to remove the effects of inflation) (Table 1-2). C/QPP contributions registered the second largest increase (80%), the result of the increase in the contribution rate to these plans (from 4.6% in 1991 to 7.0% in 1999, shared equally by the employee and employer). The C/QPP accounted for 32% of the contributions to all three programs (C/QPP, RPPs and RRSPs) in 1999, well above the 26% in 1991. In considering the relative growth in C/QPP contributions, it is important to note that these contributions are restricted to earnings within a certain range. In 1999, for example, contributions were made on earnings between $3,500 and $37,400. As well, the percentage of earnings that can be contributed to the C/QPP is smaller than for RRSPs and many RPPs.

Chart 1-1 Percentage of labour force contributing to RRSPs increased in the 1990's



The coverage rate for RPPs is much lower because employers are not required to offer pension plans to their employees. As well, the unemployed and self-employed owners of unincorporated businesses, though part of the labour force, do not have access to RPPs. The percentage of the labour force contributing to RPPs has been declining somewhat during the 1990s, from 37% in 1991 to 33% in 1999.

The number of contributors to RRSPs has increased significantly, as these retirement savings vehicles have become more popular. By 1999 almost 40% of the labour force contributed to RRSPs, up from 32% in 1991. In 1991, there were fewer RRSP contributors than RPP members; by 1999 this situation was reversed. For purposes of this section, RRSP contributors (and their contributions) exclude people rolling over retiring

The amount employers and employees contributed to RPPs remained virtually unchanged during the 1990s. Consequently, the contributions to these plans accounted for 29% of the total contributions to all three programs in 1999, down considerably from 43% in 1991. By 1995 RRSPs had replaced RPPs as the program through which Canadians were saving the most; as of 1999 close to 39% of retirement savings went into RRSPs. This was due to both the increase in the number of RRSP contributors (40%) and the growth (16%) in the average amount contributed.

[4] For a discussion of the extent to which Canadians have saved for retirement see: ***The assets and debts of Canadians: Focus on private pension savings***, catalogue 13-596, December 2001.

Table 1-2 Contributions to Canada/Quebec Pension Plan, Registered pension plans and Registered retirement savings plans

Year	C/QPP[1]	% of total	RPP[2]	% of total	RRSP[3]	% of total	Total	% change 1991 to 1999
	$ Current							
	$ '000,000	%	$ '000,000	%	$ '000,000	%	$ '000,000	%
1991	10,568	26.4	17,205	43.0	12,284	30.7	40,057	
1992	11,224	25.3	19,678	44.3	13,533	30.5	44,435	
1993	11,867	24.8	20,197	42.2	15,815	33.0	47,879	
1994	11,857	24.2	19,631	40.1	17,478	35.7	48,966	
1995	13,812	25.6	19,697	36.6	20,381	37.8	53,890	
1996	14,604	25.4	19,636	34.2	23,155	40.3	57,395	
1997	16,073	26.7	19,564	32.5	24,570	40.8	60,207	
1998	18,601	31.3	16,853	28.4	23,924	40.3	59,378	
1999	21,384	32.3	19,219	29.0	25,576	38.6	66,179	65.21

Year	C/QPP	% change 1991 to 1999	RPP	% change 1991 to 1999	RRSP	% change 1991 to 1999	Total	% change 1991 to 1999
	$ Constant 1999							
	$ '000,000	%	$ '000,000	%	$ '000,000	%	$ '000,000	%
1991	11,855		19,301		13,781		44,936	
1992	12,403		21,744		14,954		49,101	
1993	12,882		21,923		17,167		51,971	
1994	12,845		21,267		18,935		53,046	
1995	14,648		20,888		21,613		57,149	
1996	15,238		20,489		24,161		59,888	
1997	16,507		20,091		25,232		61,830	
1998	18,927		17,148		24,343		60,417	
1999	21,384	80.38	19,219	-0.42	25,576	85.60	66,179	47.27

1. Canada/Quebec Pension Plans
2. Registered pension plan
3. Registered retirement savings plan

Sources: C/QPP: Human Resources Development Canada, Régie des rentes du Québec.
RPP: Pension Plans in Canada Survey, Income Statistics Division, Statistics Canada.
RRSP: Canada Customs and Revenue Agency. Excludes amounts rolled into RRSPs from retiring allowances, or into spousal RRSPs from RPP or DPSP income.

Amounts accumulated in these programs

By the end of 2000, almost $1.16 trillion had been accumulated in the three major retirement income programs (Table 1-3). With the changes in the investment policy of the CPP and some of the larger RPPs held in government consolidated revenue arrangements, most of this money is now invested in the financial and capital markets. The assets in retirement income programs represent one of the largest pools of investment capital in the country.

Although RPP contributions have not been increasing, as have C/QPP and RRSP contributions, RPPs still accounted for over 70% of the total in these three retirement programs. The steady increase in contributions to RRSPs[5] has helped to boost the amounts accumulated—from 1990 to 2000 the assets in RRSPs grew 159%, slightly more than the 148% increase for RPPs. RPP funds are generally managed by professionals, but this is less often the case for RRSP savings. This may explain why the growth in RPP assets has kept pace with that of RRSPs, even though RRSP contributions to have been increasing at a much faster rate.

5 RRSP reserves include money in locked-in retirement accounts (LIRAs), which have been available in some jurisdictions since the change in pension regulatory legislation beginning in the late 1980s. Amounts accumulated in an RPP can be transferred to a LIRA if employment, or the RPP, terminates. This may also help explain some of the growth in RRSP reserves.

Table 1-3 **Accumulated assets in selected retirement income programs, at December 31**
(at market value where possible; in current dollars)

Type of program	1990		1991		1992		1993		1994		1995	
	$,000,000	%	$,000,000	%	$,000,000	%	$,000,000	%	$,000,000	%	$,000,000	%
Public plans												
Canada Pension Plan	40,689	8.2	42,043	8.0	42,347	7.0	41,720	6.0	40,346	5.7	39,683	5.1
Quebec Pension Plan	14,308	2.9	14,684	2.8	14,569	2.4	14,541	2.1	14,008	2.0	13,773	1.8
Public plans, total	**54,997**	**11.1**	**56,727**	**10.7**	**56,916**	**9.4**	**56,261**	**8.1**	**54,354**	**7.7**	**53,456**	**6.8**
Registered pension plans (RPPs)												
Funding agency / agreement:												
Trusteed[1]												
Private sector	90,297	18.2	72,199	13.7	97,995	16.2	116,525	16.7	114,050	16.1	132,182	16.9
Public sector	113,698	23.0	131,796	24.9	152,433	25.3	192,722	27.7	194,708	27.5	225,841	28.9
Trusteed, total	203,995	41.2	203,995	38.6	250,428	41.5	309,247	44.4	308,758	43.5	358,023	45.9
Government consolidated revenue funds (CRF) :												
Federal	73,535	14.8	80,118	15.2	86,396	14.3	92,536	13.3	98,832	13.9	105,400	13.5
Provincial	21,467	4.3	24,127	4.6	26,443	4.4	22,961	3.3	22,752	3.2	23,734	3.0
CRF, total	95,002	19.2	104,245	19.7	112,839	18.7	115,497	16.6	121,584	17.1	129,134	16.5
Insurance companies	30,572	6.2	33,631	6.4	35,617	5.9	39,528	5.7	39,905	5.6	38,410	4.9
Government of Canada annuities	568	0.1	540	0.1	512	0.1	482	0.1	451	0.1	425	0.1
RPPs, total	**330,137**	**66.7**	**342,411**	**64.8**	**399,396**	**66.2**	**464,754**	**66.7**	**470,698**	**66.4**	**525,992**	**67.4**
Registered retirement savings plans (RRSPs)												
Money held by												
Trust companies	27,523	5.6	29,455	5.6	29,649	4.9	20,813	3.0	16,384	2.3	15,826	2.0
Credit unions	13,094	2.6	15,604	3.0	18,034	3.0	19,860	2.8	21,189	3.0	23,428	3.0
Chartered banks	35,201	7.1	41,204	7.8	45,778	7.6	58,459	8.4	60,915	8.6	68,168	8.7
Other deposit-taking intermediaries	619	0.1	757	0.1	826	0.1	896	0.1	757	0.1	727	0.1
Investment (mutual) funds	10,565	2.1	14,549	2.8	22,044	3.7	40,599	5.8	49,869	7.0	57,855	7.4
Insurance companies	23,055	4.7	27,719	5.2	30,925	5.1	35,207	5.1	34,928	4.9	35,135	4.5
RRSPs[2], total	**110,057**	**22.2**	**129,288**	**24.5**	**147,256**	**24.4**	**175,834**	**25.2**	**184,042**	**26.0**	**201,139**	**25.8**
Grand total	**495,191**	**100.0**	**528,426**	**100.0**	**603,568**	**100.0**	**696,849**	**100.0**	**709,094**	**100.0**	**780,587**	**100.0**

1. Deducted from gross assets is the insurance company portion of trusteed pension funds that have part of their portfolio in deposit administration and/or segregated funds of insurance companies.
2. Reserves in self-administered RRSPs are not included.

Sources: CPP: Canada Pension Plan Account Monthly Reports, Human Resources Development Canada.
QPP: Régie des rentes du Québec.
Trusteed RPPs: Census and Quarterly Surveys of Trusteed Pension Funds, Income Statistics Division, Statistics Canada
CRF: Public accounts of Canada, Public accounts of various provinces.
Insurance company RPPs and RRSPs: Canadian Life and Health Insurance Association Inc (CLHIA), Survey of Annuity Business in Canada.
Government of Canada annuities: Human Resources Development Canada.

Table 1-3 Accumulated assets in selected retirement income programs, at December 31
(at market value where possible; in current dollars)

1996		1997		1998		1999		2000			Type of program
										% change	
$,000,000	%	$,000,000	%	$,000,000	%	$,000,000	%	$,000,000	%	1990 to 2000	
											Public plans
37,894	4.4	36,460	3.9	36,535	3.6	37,554	3.4	41,595	3.6		Canada Pension Plan
13,696	1.6	13,062	1.4	12,859	1.3	13,342	1.2	14,999	1.3		Québec Pension Plan
51,590	**5.9**	**49,522**	**5.2**	**49,394**	**4.9**	**50,896**	**4.6**	**56,594**	**4.9**	**2.90**	**Public plans, total**
											Registered pension plans (RPPs)
											Funding agency / agreement:
											Trusteed[1]
163,810	18.8	180,008	19.0	192,659	19.1	208,807	19.0	222,367	19.2		Private sector
253,897	29.2	287,193	30.4	319,896	31.7	355,657	32.3	374,254	32.3		Public sector
417,707	48.0	467,201	49.4	512,555	50.8	564,464	51.3	596,621	51.5		Trusteed, total
											Government consolidated revenue fu
111,674	12.8	115,334	12.2	119,952	11.9	125,659	11.4	127,738	11.0		Federal
25,294	2.9	37,005	3.9	40,770	4.0	39,986	3.6	39,554	3.4		Provincial
136,968	15.7	152,339	16.1	160,722	15.9	165,645	15.1	167,292	14.4		CRF, total
39,642	4.6	41,442	4.4	45,093	4.5	50,133	4.6	53,389	4.6		Insurance companies
399	0.0	374	0.0	352	0.0	330	0.0	310	0.0		Government of Canada annuities
594,716	**68.3**	**661,356**	**69.9**	**718,722**	**71.2**	**780,572**	**71.0**	**817,612**	**70.5**	**147.66**	**RPPs, total**
											Registered retirement savings plans (RRSPs)
											Money held by
15,394	1.8	10,636	1.1	9,610	1.0	9,446	0.9	1,573	0.1		Trust companies
24,825	2.9	23,931	2.5	21,640	2.1	22,635	2.1	23,879	2.1		Credit unions
69,289	8.0	61,737	6.5	56,910	5.6	58,739	5.3	64,904	5.6		Chartered banks
615	0.1	303	0.0	283	0.0	317	0.0	321	0.0		Other deposit-taking intermediaries
75,914	8.7	98,999	10.5	109,538	10.9	127,461	11.6	140,523	12.1		Investment (mutual) funds
37,767	4.3	39,307	4.2	43,202	4.3	49,751	4.5	53,701	4.6		Insurance companies
223,804	**25.7**	**234,913**	**24.8**	**241,183**	**23.9**	**268,349**	**24.4**	**284,901**	**24.6**	**158.87**	**RRSPs[2], total**
870,110	**100.0**	**945,791**	**100.0**	**1,009,299**	**100.0**	**1,099,817**	**100.0**	**1,159,107**	**100.0**		**Grand total**

1 Deducted from gross assets is the insurance company portion of trusteed pension funds that have part of their portfolio in deposit administration and/or segregated funds of insurance companies.

2 Reserves in self-administered RRSPs are not included.

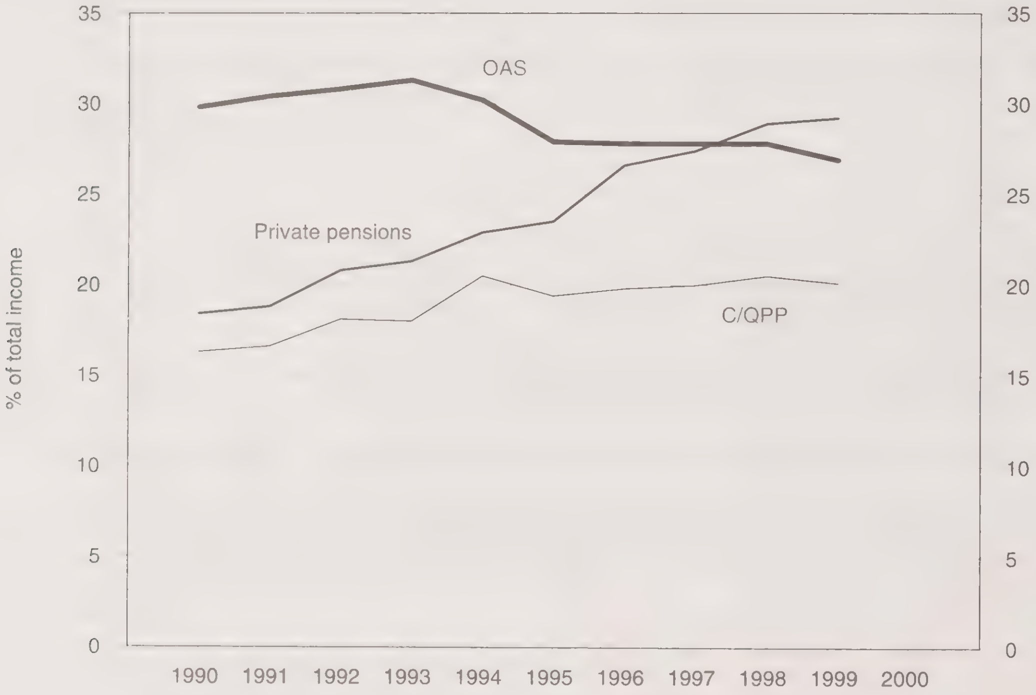
Sources: CPP: Canada Pension Plan Account Monthly Reports, Human Resources Development Canada.
QPP: Régie des rentes du Québec.
Trusteed RPPs: Census and Quarterly Surveys of Trusteed Pension Funds, Income Statistics Division, Statistics Canada
CRF: Public accounts of Canada, Public accounts of various provinces.
Insurance company RPPs and RRSPs: Canadian Life and Health Insurance Association Inc (CLHIA), Survey of Annuity Business in Canada.
Government of Canada annuities: Human Resources Development Canada.

The amount held in the C/QPP decreased from 1990 to 1998. Even though the C/QPP contribution rate increased throughout the 1990s, up to 1997 these increases were fairly modest: 0.2% (shared equally by the employee and employer) each year. The contribution rate has been rising more steeply since 1997 and will reach 9.9% in 2003; this increase has, in part, accounted for the growth in these assets beginning in 1999. Another important change took place about the same time. Although the assets of the QPP have long been invested in the capital and financial markets, until 1997 the monies in the CPP were loaned to the provinces at the federal long-term bond rate. Beginning in 1998, the CPP began to invest in the financial markets. (During a transition period, money will continue to be available to the provinces.) By 2000, the amount in the C/QPP was about $56.6 billion, less than $2 billion more than in 1990. As of 2000, the C/QPP accounted for 5% of the total assets in the three programs.

Retirement income programs provide a significant proportion of the income of persons 65 and older. In 1999, private pension income (largely from RPPs and RRSPs), and income from OAS/GIS and the C/QPP accounted for 76% of the total income of this age group, up from 65% in 1990 (Table 1-4). Much of the increase can be attributed to private pension income, which grew from 18% in 1990 to 29% in 1999 (Chart 1-2). In addition, over half (55%) of those 65 and older were receiving private pension income in 1999, up from 38% in 1990.

The proportion of seniors receiving C/QPP has also changed significantly. Close to 85% of those 65 or older collected C/QPP benefits in 1999—just 72% did in 1990. The maturing of these plans and increased labour force participation by women help explain the growth. Since the mid-1990s, C/QPP benefits have accounted for approximately 20% of total income for those 65 and over. Average income from C/QPP grew 11% (in 1999 dollars) from 1990 to 1999.

Chart 1-2 Private pensions a growing source of income of those 65 and older



Income of those 65 years and older

How important are these programs to the income of seniors (for this report, those 65 or older)? Has there been much change in the reliance on income from these programs since 1990? Statistics Canada's Survey of Labour and Income Dynamics (SLID) helps to answer these questions. The data are summarized in Tables 1-4 to 1-6.

The OAS, because it is paid to all those who meet the residency requirements, provides income to almost all seniors (about 98%). However, income from OAS/GIS has been decreasing as a percentage of the total income of those 65 and older. From 30% in 1990 it declined to 27% in 1999. This can be explained by the increasing importance of private pensions and the

C/QPP. These other sources reduce the amount payable from the Guaranteed Income Supplement and the survivor's allowance. As well, since 1989, OAS payments have been reduced for those earning over specified amounts.

Other than pensions, the most important source of income for seniors is investments. The proportion of those 65 and older receiving investment income declined sharply in the mid-1990s but by 1999 had risen again to 60%, just slightly lower than in 1990. This source of income however is becoming less important for seniors, both in terms of the average amount received and the percent of income it represents. Falling interest rates throughout most of the 1990s help to explain this.

Not surprisingly, the proportion of people in this age group receiving income from employment (wages and salaries and self-employment income) is low, as is the proportion of income received from this source. However, through the 1990s, the percentage of seniors reporting income from employment climbed slightly, from 9% to 13%.

Average income (in 1999 dollars) of those 65 and older increased 5% from 1990 to 1999. As shown in the next section, this is largely attributable to the increase for men.

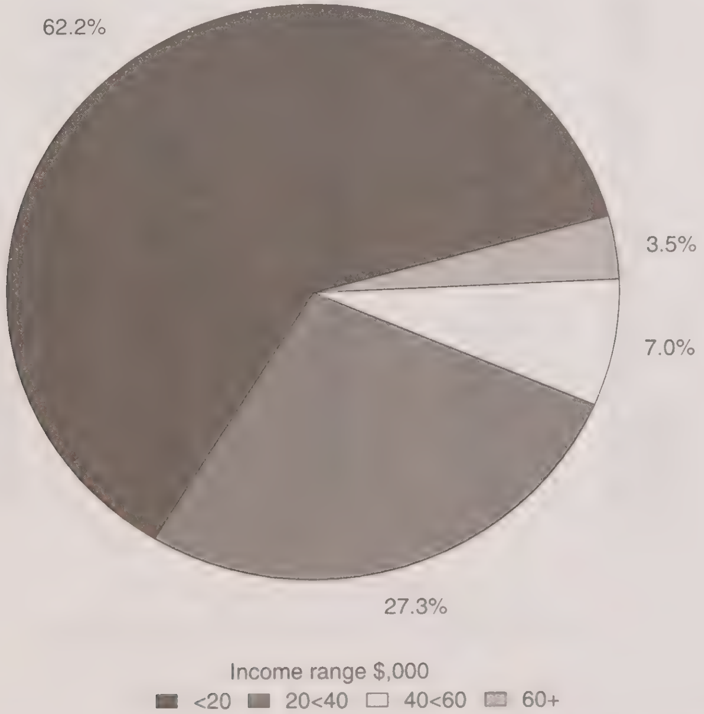
Income of men and women

Historically, labour force participation has been considerably higher for men than for women. As a result, the proportion of men receiving retirement income from private pensions and from the C/QPP has been much higher than for women. Even in 1999, 67% of men reported income from private pensions, compared with 46% of women. The gap is, however, shrinking: in 1999 it was 22 percentage points, down from 27 in 1990.

Although a much larger proportion of both sexes received income from the C/QPP, men were again much more likely than women to have income from this program. The gap between men and women has also been closing for the C/QPP, from 23 percentage points in 1991 to 16 in 1999. As of 1999, almost 94% of men received C/QPP income, compared with 78% of women. For both the C/QPP and private pensions the income received may be in the form of a survivor's pension and not necessarily related to that person's work history.

The proportion of men and women receiving income not dependent on employment history is almost identical. This is true, of course, for OAS (including GIS), and also for income derived from interest and investments. Because fewer women receive benefits from private pensions and the C/QPP, their overall

Chart 1-3 Majority of those 65 and older have total income of less than $20,000 annually



reliance on OAS and investment income is much greater than it is for men. In 1999, women derived 35% of their income from OAS and another 15% from investments. For men the proportions were considerably lower, 20% and 11% respectively.

Average income (in 1999 dollars) was virtually unchanged for women 65 and over during this period. By 1999, it was about $17,600, just $100 more than in 1990. The average income of men 65 and over, however, grew 9% over the same period, reaching approximately $28,000 in 1999. As a result, the average-income gap between men and women has therefore been increasing during the 1990s, from 47% higher for men in 1990 to 59% higher in 1999.

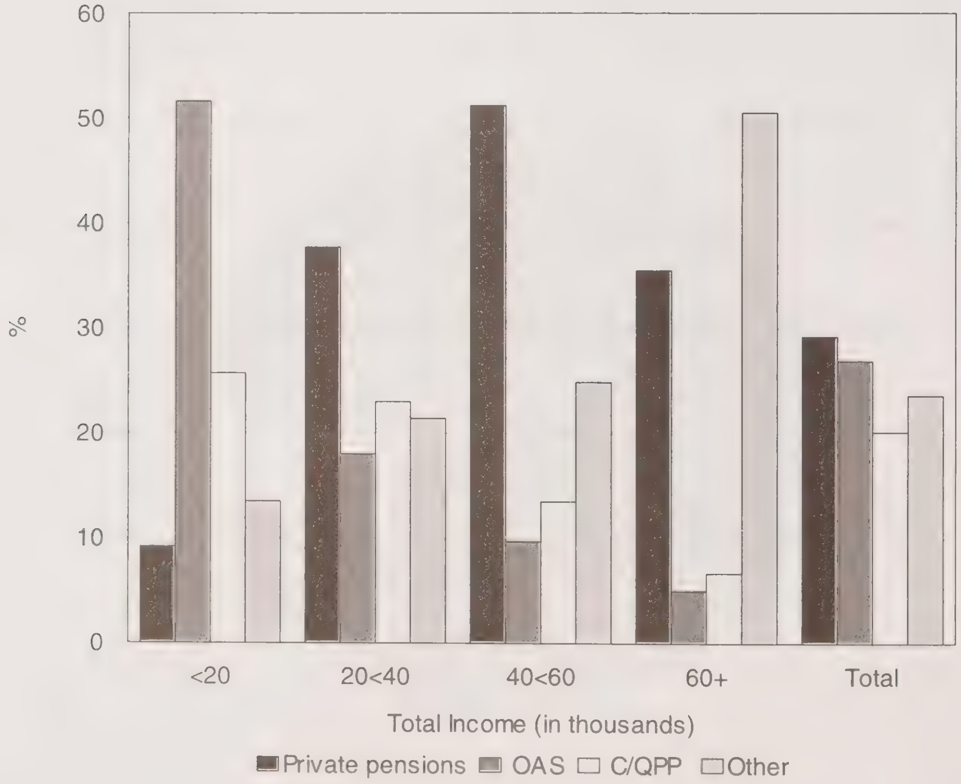
Reliance on pension income by different income groups

This section uses 1999 data to examine the reliance of different income groups on pension income. (See Table 1-7).

In 1999, the majority (62%) of persons 65 and older had an income of less than $20,000 (Chart 1-3). These people relied heavily on the OAS/GIS and C/QPP—close to four-fifths (77%) of their income came from these plans (Chart 1-4). Even those in the $20,000 to $39,999 income range received 41% of their income from these plans. Reliance on these programs diminished as income increased: they accounted for only about 12% of income for those bringing in $60,000 or more. C/QPP benefits obviously represented the largest share of that 12%.

Private pensions (from RRSPs and employer pension plans) constituted about half of the income of those with incomes of $40,000 to $79,999. Those with incomes under $20,000 were less likely to have been members of RPPs, or to have saved through RRSPs—less than 10% of their income came from private pensions. For taxfilers bringing in $80,000 or more, the largest proportion of their income (31%) stemmed from investments, while employment income and private pension income each accounted for just over one-quarter.

Chart 1-4 Those 65 and older with incomes of less than $20,000 heavily reliant on OAS and C/QPP



Definitions for Tables 1-4 to 1-7:

Private pension income:	Includes income from employer-sponsored registered pension plans, registered retirement income funds, annuities, deferred profit sharing plans and foreign pensions. It also includes benefits paid to a spouse after the pensioner has died. Withdrawals from registered retirement savings plans (other than in the form of annuities) are not included.
OAS:	Includes income from Old Age Security, Guaranteed Income Supplement and the Spouse's Allowance (now called Allowance and Allowance for Survivors).
C/QPP:	Income from the Canada and Quebec Pension Plans, including survivor benefits.
Employment income:	Earnings from both paid employment (wages and salaries) and self-employment.
Investment income:	Comprises the taxable amount of dividends; interest on bonds, deposits and savings certificates; net rental income; interest on loans and mortgages; regular income from an estate or trust fund; and other miscellaneous investment income. Realized capital gains from the sale of assets are excluded.
Other:	Includes support payments and items reported on line 130 of the tax form—such as retiring allowances, scholarships and lump-sum payments from pensions and deferred profit sharing plans.
Other government transfers:	Social assistance, provincial/territorial tax credits, worker's compensation benefits, GST/HST credit, Child Tax Benefit, Employment Insurance and other government transfers.
Total:	Total income before deductions.

Table 1-4 Number and income of persons aged 65 and older, by income source

Year	Private pension income	Old Age Security	Canada / Quebec Pension Plans	Employment income	Investment income	Other income	Other government transfers	Total
				Number of recipients ('000)				
1990	1,124	2,901	2,111	269	1,843	208	2,285	2,931
1991	1,155	2,993	2,155	271	1,752	174	2,404	3,022
1992	1,229	3,041	2,307	274	1,685	226	2,479	3,102
1993	1,249	3,132	2,310	302	1,715	142	1,910	3,181
1994	1,369	3,212	2,604	277	1,645	194	2,163	3,276
1995	1,470	3,276	2,666	320	1,789	244	2,102	3,364
1996	1,719	3,335	2,825	357	2,052	509	2,166	3,436
1997	1,801	3,426	2,910	450	2,016	476	2,172	3,520
1998	1,912	3,498	3,004	444	2,102	582	2,226	3,587
1999	2,018	3,567	3,089	477	2,186	586	2,193	3,653
				% with income source				
1990	38.3	99.0	72.0	9.2	62.9	7.1	78.0	100.0
1991	38.2	99.0	71.3	9.0	58.0	5.8	79.5	100.0
1992	39.6	98.0	74.4	8.8	54.3	7.3	79.9	100.0
1993	39.3	98.5	72.6	9.5	53.9	4.5	60.0	100.0
1994	41.8	98.0	79.5	8.5	50.2	5.9	66.0	100.0
1995	43.7	97.4	79.3	9.5	53.2	7.3	62.5	100.0
1996	50.0	97.1	82.2	10.4	59.7	14.8	63.0	100.0
1997	51.2	97.3	82.7	12.8	57.3	13.5	61.7	100.0
1998	53.3	97.5	83.7	12.4	58.6	16.2	62.1	100.0
1999	55.2	97.6	84.6	13.1	59.8	16.0	60.0	100.0
				Income ($ '000,000 constant 1999)				
1990	11,344	18,370	10,056	4,324	14,252	1,144	2,179	61,668
1991	11,710	18,982	10,343	5,725	12,385	949	2,260	62,356
1992	13,170	19,489	11,444	3,597	11,698	1,382	2,596	63,375
1993	13,694	20,154	11,576	5,313	10,364	918	2,271	64,290
1994	15,506	20,420	13,867	4,744	9,203	1,208	2,731	67,678
1995	17,075	20,278	14,063	5,431	11,331	1,724	2,687	72,590
1996	19,616	20,538	14,590	4,807	10,847	1,170	2,183	73,750
1997	20,735	21,088	15,153	5,366	9,549	1,482	2,392	75,764
1998	22,426	21,534	15,864	4,208	9,844	1,341	2,345	77,562
1999	23,633	21,750	16,298	5,164	10,306	1,464	2,321	80,936
				% of total income				
1990	18.4	29.8	16.3	7.0	23.1	1.9	3.5	100.0
1991	18.8	30.4	16.6	9.2	19.9	1.5	3.6	100.0
1992	20.8	30.8	18.1	5.7	18.5	2.2	4.1	100.0
1993	21.3	31.3	18.0	8.3	16.1	1.4	3.5	100.0
1994	22.9	30.2	20.5	7.0	13.6	1.8	4.0	100.0
1995	23.5	27.9	19.4	7.5	15.6	2.4	3.7	100.0
1996	26.6	27.8	19.8	6.5	14.7	1.6	3.0	100.0
1997	27.4	27.8	20.0	7.1	12.6	2.0	3.2	100.0
1998	28.9	27.8	20.5	5.4	12.7	1.7	3.0	100.0
1999	29.2	26.9	20.1	6.4	12.7	1.8	2.9	100.0
				Average income ($ constant 1999)				
1990	10,093	6,332	4,764	16,074	7,733	5,500	954	21,040
1991	10,139	6,342	4,800	21,125	7,069	5,454	940	20,634
1992	10,716	6,409	4,961	13,128	6,942	6,115	1,047	20,430
1993	10,964	6,435	5,011	17,593	6,043	6,465	1,189	20,211
1994	11,327	6,357	5,325	17,126	5,595	6,227	1,263	20,659
1995	11,616	6,190	5,275	16,972	6,334	7,066	1,278	21,578
1996	11,411	6,158	5,165	13,465	5,286	2,299	1,008	21,464
1997	11,513	6,155	5,207	11,924	4,737	3,113	1,101	21,524
1998	11,729	6,156	5,281	9,477	4,683	2,304	1,053	21,623
1999	11,711	6,098	5,276	10,826	4,715	2,498	1,058	22,156

Source : Survey of Labour and Income Dynamics, Income Statistics Division, Statistics Canada

Table 1-5 Number and income of males aged 65 and older, by income source

Year	Private pension income	Old Age Security	Canada / Quebec Pension Plans	Employment income	Investment income	Other income	Other government transfers	Total
	Number of recipients ('000)							
1990	677	1,249	1,077	181	821	101	1,008	1,261
1991	662	1,284	1,111	185	792	88	1,044	1,298
1992	728	1,310	1,168	173	775	116	1,090	1,337
1993	707	1,346	1,173	198	758	74	814	1,372
1994	793	1,393	1,291	190	750	97	987	1,416
1995	831	1,422	1,318	214	805	115	955	1,460
1996	942	1,446	1,374	246	919	302	972	1,491
1997	975	1,481	1,404	301	881	253	975	1,527
1998	1,010	1,520	1,446	296	914	295	993	1,560
1999	1,071	1,552	1,488	319	966	306	978	1,590
	% with income source							
1990	53.7	99.0	85.4	14.4	65.1	8.0	79.9	100.0
1991	51.0	98.9	85.6	14.3	61.0	6.8	80.4	100.0
1992	54.5	98.0	87.4	12.9	58.0	8.7	81.5	100.0
1993	51.5	98.1	85.5	14.4	55.2	5.4	59.3	100.0
1994	56.0	98.4	91.2	13.4	53.0	6.9	69.7	100.0
1995	56.9	97.4	90.3	14.7	55.1	7.9	65.4	100.0
1996	63.2	97.0	92.2	16.5	61.6	20.3	65.2	100.0
1997	63.9	97.0	91.9	19.7	57.7	16.6	63.9	100.0
1998	64.7	97.4	92.7	19.0	58.6	18.9	63.7	100.0
1999	67.4	97.6	93.6	20.1	60.8	19.2	61.5	100.0
	Income ($ '000,000 constant 1999)							
1990	7,970	7,402	6,041	3,065	6,240	576	1,127	32,421
1991	8,112	7,721	6,220	4,641	5,544	485	1,181	33,902
1992	9,414	7,916	6,814	2,515	5,099	781	1,435	33,973
1993	9,627	8,153	6,894	3,985	4,732	565	1,187	35,144
1994	10,872	8,301	7,899	3,615	4,900	648	1,364	37,598
1995	11,669	8,303	8,030	3,963	5,256	900	1,470	39,591
1996	13,303	8,336	8,412	3,516	4,958	580	1,129	40,234
1997	13,876	8,656	8,637	4,061	4,292	656	1,086	41,264
1998	14,874	8,842	8,922	3,300	4,949	594	1,158	42,639
1999	15,629	8,914	9,182	3,747	4,975	876	1,231	44,554
	% of total income							
1990	24.6	22.8	18.6	9.5	19.2	1.8	3.5	100.0
1991	23.9	22.8	18.3	13.7	16.4	1.4	3.5	100.0
1992	27.7	23.3	20.1	7.4	15.0	2.3	4.2	100.0
1993	27.4	23.2	19.6	11.3	13.5	1.6	3.4	100.0
1994	28.9	22.1	21.0	9.6	13.0	1.7	3.6	100.0
1995	29.5	21.0	20.3	10.0	13.3	2.3	3.7	100.0
1996	33.1	20.7	20.9	8.7	12.3	1.4	2.8	100.0
1997	33.6	21.0	20.9	9.8	10.4	1.6	2.6	100.0
1998	34.9	20.7	20.9	7.7	11.6	1.4	2.7	100.0
1999	35.1	20.0	20.6	8.4	11.2	2.0	2.8	100.0
	Average income ($ constant 1999)							
1990	11,773	5,926	5,609	16,934	7,600	5,703	1,118	25,711
1991	12,254	6,013	5,599	25,086	7,000	5,511	1,131	26,119
1992	12,931	6,043	5,834	14,538	6,579	6,733	1,316	25,410
1993	13,617	6,057	5,877	20,126	6,243	7,635	1,459	25,615
1994	13,710	5,959	6,119	19,026	6,533	6,680	1,382	26,552
1995	14,042	5,839	6,093	18,519	6,529	7,826	1,538	27,117
1996	14,122	5,765	6,122	14,293	5,395	1,921	1,162	26,985
1997	14,232	5,845	6,152	13,492	4,872	2,593	1,114	27,023
1998	14,727	5,817	6,170	11,149	5,415	2,014	1,166	27,333
1999	14,593	5,744	6,171	11,746	5,150	2,863	1,259	28,021

Source : Survey of Labour and Income Dynamics, Income Statistics Division, Statistics Canada

Table 1-6 Number and income of females aged 65 or more, by income source

Year	Private pension income	Old Age Security	Canada / Quebec Pension Plans	Employment income	Investment income	Other income	Other government transfers	Total
				Number of recipients ('000)				
1990	447	1,652	1,034	87	1,022	107	1,277	1,670
1991	492	1,708	1,044	86	960	86	1,360	1,724
1992	501	1,731	1,138	101	911	110	1,389	1,765
1993	542	1,786	1,136	104	957	68	1,096	1,809
1994	576	1,819	1,313	87	895	97	1,176	1,861
1995	639	1,854	1,348	106	985	129	1,147	1,904
1996	777	1,890	1,451	111	1,133	207	1,194	1,945
1997	826	1,946	1,506	148	1,135	223	1,198	1,993
1998	902	1,978	1,558	148	1,188	287	1,233	2,027
1999	947	2,016	1,600	158	1,219	280	1,215	2,063
				% with income source				
1990	26.8	98.9	61.9	5.2	61.2	6.4	76.5	100.0
1991	28.5	99.1	60.6	5.0	55.7	5.0	78.9	100.0
1992	28.4	98.1	64.5	5.7	51.6	6.2	78.7	100.0
1993	30.0	98.7	62.8	5.7	52.9	3.8	60.6	100.0
1994	31.0	97.7	70.6	4.7	48.1	5.2	63.2	100.0
1995	33.6	97.4	70.8	5.6	51.7	6.8	60.2	100.0
1996	39.9	97.2	74.6	5.7	58.3	10.6	61.4	100.0
1997	41.4	97.6	75.6	7.4	56.9	11.2	60.1	100.0
1998	44.5	97.6	76.9	7.3	58.6	14.2	60.8	100.0
1999	45.9	97.7	77.6	7.7	59.1	13.6	58.9	100.0
				Income ($ '000,000 constant 1999)				
1990	3,374	10,967	4,015	1,258	8,012	567	1,052	29,247
1991	3,599	11,262	4,123	1,086	6,842	464	1,079	28,454
1992	3,756	11,573	4,630	1,082	6,599	601	1,161	29,402
1993	4,067	12,001	4,682	1,328	5,632	352	1,084	29,147
1994	4,634	12,119	5,968	1,128	4,303	560	1,367	30,080
1995	5,406	11,975	6,033	1,469	6,075	825	1,217	33,000
1996	6,313	12,202	6,178	1,291	5,888	590	1,054	33,516
1997	6,859	12,431	6,515	1,305	5,257	826	1,307	34,499
1998	7,552	12,691	6,942	909	4,895	747	1,187	34,922
1999	8,004	12,836	7,116	1,417	5,331	588	1,090	36,383
				% of total income				
1990	11.5	37.5	13.7	4.3	27.4	1.9	3.6	100.0
1991	12.6	39.6	14.5	3.8	24.0	1.6	3.8	100.0
1992	12.8	39.4	15.7	3.7	22.4	2.0	3.9	100.0
1993	14.0	41.2	16.1	4.6	19.3	1.2	3.7	100.0
1994	15.4	40.3	19.8	3.8	14.3	1.9	4.5	100.0
1995	16.4	36.3	18.3	4.5	18.4	2.5	3.7	100.0
1996	18.8	36.4	18.4	3.9	17.6	1.8	3.1	100.0
1997	19.9	36.0	18.9	3.8	15.2	2.4	3.8	100.0
1998	21.6	36.3	19.9	2.6	14.0	2.1	3.4	100.0
1999	22.0	35.3	19.6	3.9	14.7	1.6	3.0	100.0
				Average income ($ constant 1999)				
1990	7,548	6,639	3,883	14,460	7,840	5,299	824	17,513
1991	7,315	6,594	3,949	12,628	7,127	5,395	794	16,505
1992	7,497	6,686	4,069	10,713	7,244	5,464	836	16,658
1993	7,504	6,719	4,121	12,769	5,885	5,176	989	16,112
1994	8,045	6,662	4,545	12,966	4,808	5,773	1,163	16,163
1995	8,460	6,459	4,476	13,858	6,168	6,395	1,061	17,332
1996	8,125	6,456	4,258	11,631	5,197	2,850	882	17,232
1997	8,304	6,388	4,326	8,818	4,632	3,704	1,091	17,310
1998	8,373	6,416	4,456	6,142	4,120	2,603	963	17,228
1999	8,452	6,367	4,448	8,968	4,373	2,100	897	17,636

Source : Survey of Labour and Income Dynamics, Income Satistics Division, Statistics Canada

Table 1-7 Income of taxfilers 65 and older, by income group, 1999

Income	No. of recipients	Private pension income	Old Age Security	Canada / Quebec Pension Plans	Employment income	Investment income	Other income	Other government transfers	Total
	000	Aggregate amount $ '000,000							
Less than $10,000	493	93	2,552	540	-70	187	130	43	3,475
$10,000 to $19,999	1,778	2,576	12,450	6,945	211	1,899	1,324	200	25,605
$20,000 to $29,999	675	5,500	3,406	4,262	591	1,954	511	207	16,431
$30,000 to $39,999	324	4,886	1,551	2,079	829	1,371	155	256	11,127
$40,000 to $49,999	158	3,525	737	1,008	532	1,074	68	115	7,059
$50,000 to $59,999	98	2,839	464	664	495	730	--	72	5,372
$60,000 to $69,999	42	1,226	198	252	379	531	--	92	2,696
$70,000 to $79,999	30	1,149	142	190	236	405	--	92	2,219
$80,000 and over	55	1,838	250	358	1,961	2,155	--	386	6,951
Total	**3,653**	**23,632**	**21,750**	**16,298**	**5,164**	**10,306**	**2,321**	**1,463**	**80,936**
	% of recipients	% of total income							
Less than $10,000	13	3	73	16	-2	5	4	1	100
$10,000 to $19,999	49	10	49	27	1	7	5	1	100
$20,000 to $29,999	18	33	21	26	4	12	3	1	100
$30,000 to $39,999	9	44	14	19	7	12	1	2	100
$40,000 to $49,999	4	50	10	14	8	15	1	2	100
$50,000 to $59,999	3	53	9	12	9	14	--	1	100
$60,000 to $69,999	1	45	7	9	14	20	--	3	100
$70,000 to $79,999	1	52	6	9	11	18	--	4	100
$80,000 and over	2	26	4	5	28	31	--	6	100
Total	**100**	**29**	**27**	**20**	**6**	**13**	**3**	**2**	**100**

Source : Survey of Labour and Income Dynamics, Income Statistics Division, Statistics Canada

Chapter 2A: Old Age Security/ Guaranteed Income Supplement/Allowances

by Patricia Schembari

Origin of program

The *Old Age Security Act* came into force on January 1, 1952, replacing the 1927 legislation that required the federal government to share the cost of provincially run, means-tested old age benefits. When first implemented, the Act provided a flat-rate benefit of $40.00 a month to all persons 70 or older who met the established residency requirements. An income test was not required. Old Age Security (OAS) was the first universal program to provide a minimum level of income to persons in this age group.

OAS is not funded by individual contributions, but is instead financed out of the federal government's general tax revenues.

Major program milestones

1965: Qualifying age was reduced to 69. This age was further reduced by one year in each of the following four years to reach 65 in 1970.

1967: The Guaranteed Income Supplement (GIS) was introduced. It provided an additional income-tested benefit to low-income persons receiving OAS.

1972: Increases in OAS and GIS became tied to increases in the consumer price index (CPI); increases to be made annually.

1973: Increases in benefits to be made on a quarterly basis.

1975: Income-tested Spouse's Allowance (SPA) became payable to 60 to 64 year-old spouses of GIS recipients.

1977: Residency requirements changed. Prior to July 1, there had been three ways to qualify for a pension. On July 1, the basic requirement for a full OAS benefit became 40 years of residence after age 18. However, partial benefits, earned at the rate of 1/40th of the full pension for each year of residence after age 18, became payable to persons residing in Canada between 10 and 40 years. (The old rules could still be applied to those over 25 with Canadian residency.)

Also in 1977, legislative amendments permitted the OAS program to be included in reciprocal agreements with other countries. These agreements allow residence in these countries to be used to satisfy OAS and SPA minimum eligibility requirements.

1983-1984: OAS indexing limited to 6% in 1983 and 5% in 1984; GIS continued to be fully indexed.

1985: Return of full indexing of OAS benefits. The Spouse's Allowance now covered low-income widows and widowers aged 60 to 64 years.

1989: "Clawback" introduced, requiring persons whose net income exceeded a specified threshold to repay OAS at the rate of 15% of the net income above the threshold. The repayment requirement was phased in over three years.

1995: The option for individuals to request that their benefits be discontinued became available. In addition, individuals who did not apply for OAS when eligible, could now apply later, but their benefits would be retroactive for a maximum of only one year.

1996: Beginning in July 1996, all or a portion of OAS would not be paid to persons whose previous year's net income exceeded the specified threshold.

2000: Allowances (formerly called Spouse's Allowance) were extended to same-sex common-law partners.

Today's program

Today's Old Age Security program includes the basic Old Age Security pension (OAS), the Guaranteed Income Supplement (GIS), the Allowance and the Allowance for the survivor (formerly known as the Spouse's Allowance and the Widow's/Widower's Allowance). To be eligible for the program, the applicant must be a Canadian citizen or a legal resident of Canada on the day prior to approval of his or her claim.

Benefits are adjusted quarterly (January, April, July and October) to reflect cost of living increases measured by the consumer price index (CPI). Table 2A-1 presents the maximum benefit for the OAS, GIS and Allowance as of January 1 for each year during the 1990s.

Old Age Security benefits are taxable, allowing the government to recover part of the costs. However, the GIS and Allowance are not taxable.

Table 2A -1. Maximum monthly benefits at January 1

Year	OAS[1]	GIS[2]		Allowance	
		single[3]	married[4]	partner[5]	widower[6]
	$	$	$	$	$
1990	340.07	404.13	263.23	603.30	666.05
1991	354.92	421.79	274.73	629.65	695.14
1992	374.07	444.54	289.55	663.62	732.64
1993	378.95	450.34	293.34	672.29	742.20
1994	385.81	458.50	298.65	684.46	755.64
1995	387.74	460.79	300.14	687.88	759.42
1996	394.76	469.13	305.57	700.33	773.16
1997	400.71	476.20	310.18	710.89	784.82
1998	407.15	483.86	315.17	722.32	797.45
1999	410.82	488.23	318.01	728.83	804.64
2000	419.92	499.05	325.06	744.98	822.47
2001	431.36	512.65	333.92	765.28	844.88
2002	442.66	526.08	342.67	785.33	867.02

1. Old Age security.
2 Guaranteed Income Supplement.
3. Also includes beneficiaries married to (or common-law partner of) non-recipient of OAS or the Allowance.
4. Married to (or common-law partner of) recipient of OAS or the Allowance.
5 Age 60-64; married to (or common-law partner of) GIS recipient.
6. Age 60-64; survivor of GIS recipient.

Source: *The ISP Statsbook 2001*, Statistics Related to Income Security Programs, Human Resources Development Canada, Table 28.

Old Age Security (OAS)

Persons 65 or older are eligible to receive the full OAS monthly benefit, upon application, if they have resided in Canada for at least 40 years after age 18. In certain cases, residency and valid immigration visa requirements that applied on or prior to July 1, 1977 can be used to establish eligibility. Persons who have resided in Canada between 10 and 40 years after age 18 are eligible to receive a partial benefit. Special measures apply to immigrants from countries that have a social security agreement with Canada. The maximum OAS benefit at January 1, 2002 was $442.66 per month (Table 2A-1). However, OAS benefits are repaid at a rate of 15% of net income exceeding $56,968 (in 2002). Persons with a net income of $92,435 and over will repay all of their OAS benefits.

Guaranteed Income Supplement (GIS)

The GIS is payable monthly to OAS recipients with low income or no other source of income. Recipients must reapply annually by filing an income statement or completing an income tax return by April 30. The maximum GIS for a single person, or a married person whose spouse did not receive OAS or the Allowance, was $526.08 a month at the first of 2002; for someone married to an OAS or Allowance recipient, the maximum was $342.67 a month (Table 2A-1). GIS benefits are reduced by $1 for every $2 of income for single, widowed, divorced or separated pensioners; and by $1 per recipient for every $4 of combined income for spouses or common-law partners both receiving OAS. Income is defined as net income for tax purposes but excludes OAS benefits, Canada and Quebec Pension Plans death benefits, and social assistance benefits. For married or common-law recipients, the income of the spouse is also considered. From July to September 2002, the annual GIS income ceiling for a single recipient was $12,672. For couples, with a non-pensioner spouse, the ceiling was established at $30,672 and for couples, with a pensioner spouse, it was at $16,512.

Allowance and Allowance for survivors (ALW)

This allowance, which is subject to an income test, is paid monthly to a spouse or common-law partner or to a survivor, upon application. It is designed to help surviving persons and couples living on the pension of only one spouse or common-law partner. To qualify, they must be aged 60 to 64 and have lived in Canada for at least 10 years after age 18. The maximum benefit for a spouse or partner was $785.33 a month at the beginning of 2002 and for a survivor, $867.02 a month (Table 2A-1).

The maximum monthly Allowance is reduced by $3 for every $4 of the beneficiary's monthly income for a survivor or the couple's combined monthly income. This happens until the OAS equivalent is reduced to zero.

Table 2A-2. Number of beneficiaries (monthly average) and net amounts[1] paid

Year	Old Age Security		Guaranteed Income Supplement		Allowance		Total amounts	GIS recipients as % of OAS	GIS recipients receiving full benefits	ALW recipients receiving full benefits
	'000	$'000,000	'000	$'000,000	'000	$'000,000	$'000,000	%	%	%
1990	3,036	12,484	1,325	3,954	117	452	16,891	43.6	17.2	10.2
1991	3,127	13,545	1,309	4,102	115	447	18,095	41.9	16.4	9.2
1992	3,210	14,292	1,300	4,227	110	438	18,957	40.5	15.7	8.8
1993	3,289	14,872	1,313	4,393	108	430	19,695	39.9	15.3	8.3
1994	3,367	15,403	1,340	4,587	113	431	20,421	39.8	15.4	8.4
1995	3,447	15,832	1,338	4,601	108	411	20,844	38.8	15.5	8.1
1996	3,524	16,433	1,341	4,636	101	398	21,467	38.0	14.8	7.1
1997	3,589	16,944	1,364	4,710	100	393	22,047	38.0	13.6	6.2
1998	3,656	17,470	1,368	4,810	97	386	22,665	37.4	13.2	5.9
1999	3,715	17,903	1,372	4,896	97	388	23,187	36.9	13.0	5.9
2000	3,781	18,669	1,363	5,019	95	389	24,077	36.1	12.6	5.6

1. Figures that take into account over- and under- payments from OAS benefits paid to applicants.
Source: *The ISP Statsbook 2001,* Statistics Related to Income Security Programs, Human Resources Development Canada, Tables 31, 32 and 36.

The GIS portion of the Allowance and the pensioner's GIS are reduced by $1 for every additional $4 of the couple's combined monthly income. For a survivor, the GIS equivalent portion is reduced by $1 for every additional $2 of monthly income. From July to September 2002, the annual Allowance income ceiling for couples was $23,616 and for a survivor, $17,328.

Data commentary/analysis

Recipients and program costs

The Old Age Security benefit is one of the cornerstones of Canada's retirement income system. During 2000, an average of some 9.7 million persons aged 65 or older received an old age pension cheque each month (Table 2A-2). This amounts to approximately 98% of the total Canadian population aged 65 or older. Of the OAS recipients, about 1.4 million also received the supplementary GIS benefit. In addition, close to one million persons aged 60 to 64 received the Allowance.

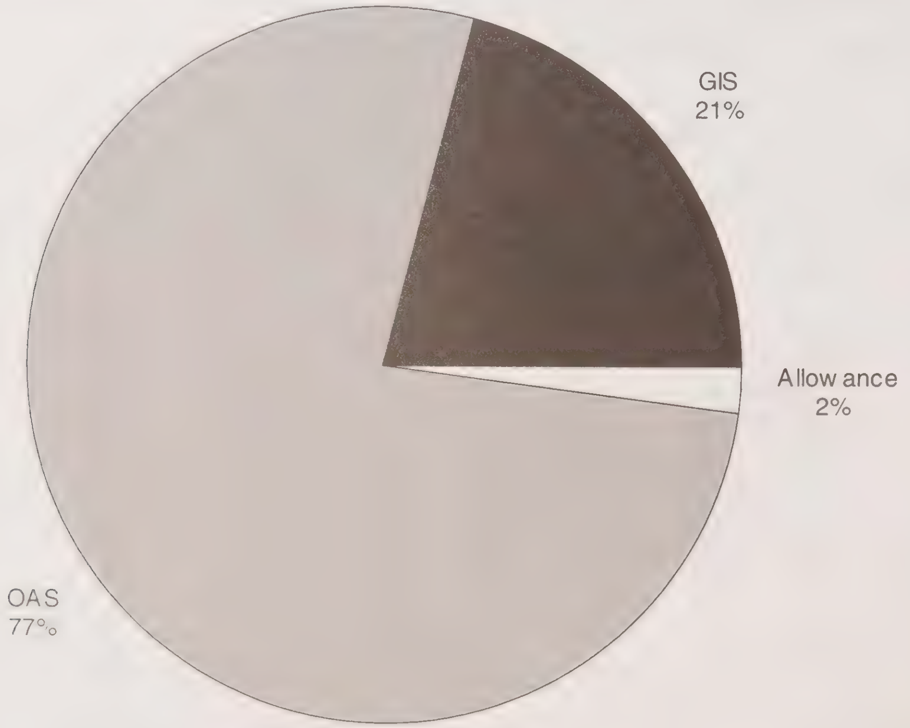
Although the number of OAS recipients increases each year, the proportion receiving the GIS has gradually declined over the past decade, falling from 44% in 1990 to 36% in 2000 (Table 2A-2). At the same time, the percentage receiving the maximum GIS and Allowance benefits also dropped because benefits from the Canada and Quebec Pension Plans and other private pensions were providing more seniors, particularly women, with another source of income.

In 2000, the OAS program cost the federal treasury over $24 billion, up 43% from 1990 (Table 2A-2). OAS benefits accounted for more than three-quarters of that amount, while 21% was allocated to the GIS and 2% to the Allowances (Chart 2A-1). Over the decade, the proportion of total costs for GIS and Allowances decreased slightly, from 26% in 1990 to 23% in 2000. On the other hand, the proportion of total cost for OAS benefits increased from 74% (in 1990) to 77% (in 2000).

Regional differences among GIS beneficiaries

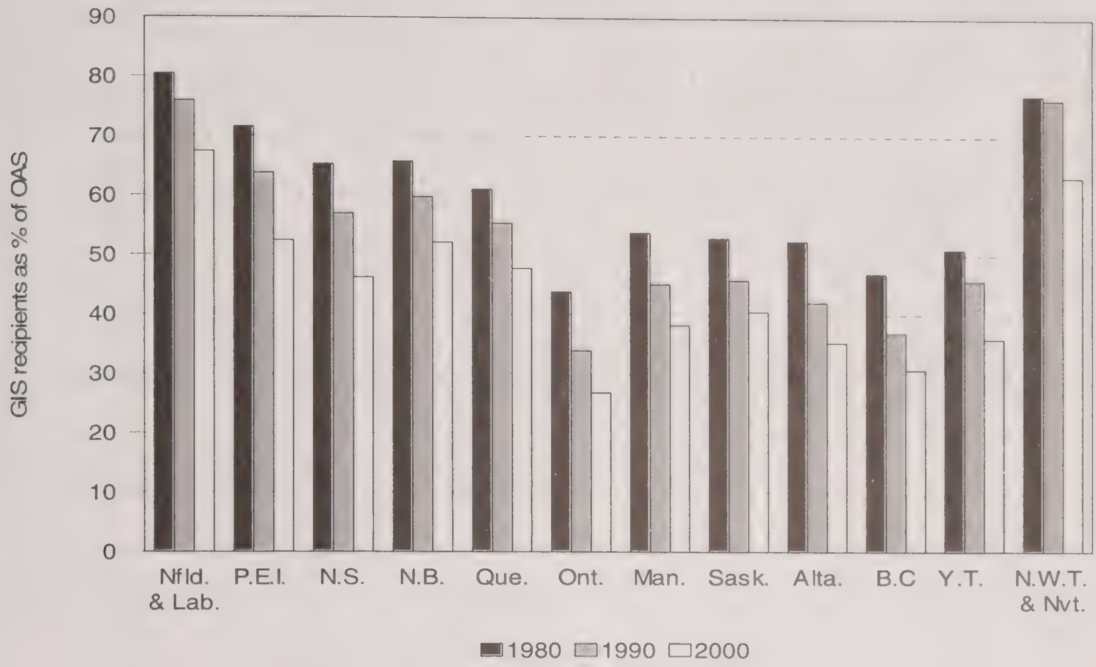
There are large provincial/territorial differences in the proportion of OAS recipients receiving GIS (Chart 2A-2). The proportion is lowest in provinces with the highest average incomes (Ontario, British Columbia and Alberta) and highest in lower income areas (Quebec and the Atlantic provinces). More than 50% of OAS recipients in Newfoundland and Labrador, Prince Edward Island, New Brunswick, Northwest Territories and Nunavut received the GIS in 2000.

Chart 2A-1. GIS and Allowance accounted for less than one quarter of the OAS program cost in 2000



Source: See table 2A-2

Chart 2A-2. Reliance on GIS has declined considerably among seniors over the past two decades



Source: See table 2A-4.

Reliance on the GIS has declined considerably among seniors over the past two decades, but the number who must rely on the supplement to make ends meet is still high.

More women than men rely on GIS

Women account for just over half (53%) of those receiving only OAS (Table 2A-3); however, a considerably larger proportion receive both OAS and GIS. During the past decade, this latter proportion remained relatively stable at 65%. Historically, women have relied heavily on government benefits because their participation in the labour force was lower than that of men.

Table 2A-3. Number of people receiving Old Age Security and Guaranteed Income Supplement, by sex, month of June

Year	OAS only				OAS and GIS				Total			
	Men	Women	Total	Women as % of total	Men	Women	Total	Women as % of total	Men	Women	Total	Women as % of total
	'000	'000	'000	%	'000	'000	'000	%	'000	'000	'000	%
1990	792	926	1,718	53.9	475	838	1,313	63.8	1,267	1,764	3,031	58.2
1991	841	985	1,826	54.0	465	831	1,296	64.1	1,306	1,816	3,122	58.2
1992	881	1,030	1,910	53.9	461	833	1,294	64.4	1,342	1,863	3,205	58.1
1993	915	1,064	1,979	53.8	462	843	1,305	64.6	1,376	1,907	3,284	58.1
1994	937	1,083	2,020	53.6	474	867	1,342	64.6	1,411	1,950	3,361	58.0
1995	984	1,127	2,111	53.4	467	863	1,330	64.9	1,452	1,990	3,442	57.8
1996	1,020	1,164	2,184	53.3	468	867	1,335	65.0	1,488	2,031	3,519	57.7
1997	1,046	1,190	2,236	53.2	473	875	1,348	64.9	1,519	2,065	3,584	57.6
1998	1,078	1,223	2,301	53.2	474	877	1,350	64.9	1,552	2,100	3,651	57.5
1999	1,090	1,234	2,324	53.1	486	900	1,386	65.0	1,575	2,135	3,710	57.5
2000	1,102	1,242	2,343	53.0	484	890	1,373	64.8	1,586	2,131	3,717	57.3

Source: *The ISP Statsbook 2001*, Statistics Related to Income Security Programs, Human Resources Development Canada, Table 43.

Table 2A-4. Number of beneficiaries and amounts paid, by Province

Province/territory	Year	OAS		GIS		Allowance		Total		GIS recipients as % of OAS
	—	'000	$'000,000	'000	$'000,000	'000	$'000,000	'000	$'000,000	%
Newfoundland and Labrador	1980	43	97	34	57	3	9	80	163	80.4
	1990	55	227	41	133	5	23	101	383	75.9
	2000	63	321	42	152	4	20	110	493	67.4
Prince Edward Island										
	1980	15	33	10	16	1	2	26	51	71.5
	1990	17	69	11	34	1	4	28	107	63.8
	2000	18	91	9	34	1	3	28	128	52.4
Nova Scotia										
	1980	90	205	59	90	5	10	153	306	65.2
	1990	111	462	63	189	6	24	181	675	56.9
	2000	124	630	57	194	5	18	186	842	46.2
New Brunswick										
	1980	69	157	45	71	4	9	118	236	65.7
	1990	87	359	52	158	5	23	144	540	59.7
	2000	98	497	51	176	4	18	153	691	52.1
Quebec										
	1980	612	1,974	374	858	28	78	1,014	2,911	61.0
	1990	736	3,058	407	1,239	41	151	1,184	4,447	55.3
	2000	932	4,697	445	1,579	33	125	1,410	6,402	47.7
Ontario										
	1980	828	1,886	363	514	21	38	1,212	2,438	43.8
	1990	1,116	4,605	379	1,077	32	114	1,527	5,795	33.9
	2000	1,398	6,934	375	1,416	24	98	1,797	8,448	26.8
Manitoba										
	1980	119	269	64	94	4	9	187	372	53.8
	1990	143	591	65	187	5	20	213	798	45.1
	2000	155	776	59	207	4	16	217	999	38.2
Saskatchewan										
	1980	113	257	60	89	4	9	177	355	52.9
	1990	137	567	63	185	5	21	205	773	45.8
	2000	146	742	59	203	4	16	209	961	40.5
Alberta										
	1980	154	351	80	119	5	11	240	481	52.4
	1990	215	891	91	268	8	30	314	1,188	42.1
	2000	291	1,455	103	381	8	33	402	1,869	35.3
British Columbia										
	1980	278	634	130	190	8	17	417	840	46.9
	1990	393	1,617	145	422	11	40	549	2,079	36.9
	2000	492	2,431	151	583	9	37	652	3,051	30.7
Yukon										
	1980	1	2	0	1	0	0	1	2	51.0
	1990	1	4	0	2	0	0	1	6	45.6
	2000	2	8	1	2	0	0	2	11	35.9
Northwest Territories and Nunavut	1980	1	3	1	2	0	0	2	5	77.0
	1990	2	6	1	5	0	1	3	12	76.3
	2000	2	12	1	6	0	1	4	19	63.2

Source: Human Resources Development Canada. Special Tables.

Chapter 2B: Canada and Quebec pension plans

by Robert D. Anderson

Origin of program

The Canada and Quebec Pension Plans (C/QPP) were designed primarily to replace a portion of earnings (within limits) that cease at retirement, disability or death. The plans are compulsory and cover virtually all workers in Canada. Equal contributions are required from the employee and employer (the self-employed pay both shares). The CPP resulted from an agreement between the federal government and the provinces; Quebec, however, opted to create its own similar plan from the onset.

Major program milestones

1966: C/QPP came into effect. The contribution rate was fixed at 3.6% of contributory earnings (1.8% each for the employee and the employer).

1967: The first retirement pension was paid (C/QPP).

1968: The first survivor pension was paid (C/QPP).

1970: The first disability pension was paid (C/QPP).

1974: C/QPP benefits were adjusted annually to reflect the full cost of living increase as measured by the consumer price index (CPI). Previously, indexing had been limited to 2% per year (3% for QPP in 1973).

1975: CPP no longer required individuals between 65 and 70 to retire from regular employment in order to receive benefits.

Surviving spouse's pension became available to widowers as well as widows.

1976: Full retirement benefits became payable. During the transition years 1967 to 1975, the pension was 10% of the potential maximum retirement benefit for each year between 1966 and the year of retirement.

1977: QPP no longer required individuals between 65 and 70 to retire from regular employment in order to receive benefits.

Splitting of pension credits earned during a marriage was permitted by the QPP in the event of divorce or annulment of marriage.

1978: Splitting of pension credits earned during a marriage was permitted by the CPP in the event of divorce or annulment of marriage.

1979: Canada and Quebec entered into the first reciprocal agreement (with Italy), allowing for portability of benefits between countries and coordination of social security programs.

1980: Employment of a spouse in an unincorporated family business was now considered pensionable employment if the remuneration was deductible under the Income Tax Act.

1984: QPP allowed covered individuals to choose early retirement once they reached age 60. This incurred a benefit reduction of 0.5% per month before age 65. Similarly, the pension was increased by 0.5% per month of postponed retirement, up to and including age 70. QPP removed the provision that survivor benefits cease upon remarriage.

1987: C/QPP contribution rates to be increased annually by 0.1% of covered earnings for both the employee and employer from 1987 to 1991. CPP allowed early and postponed retirement pensions, similar to QPP (see 1984).

CPP pension credit splitting was extended to include common-law spouses and separations.

CPP removed the provision that survivor benefits cease upon remarriage.

1988: The *Income Tax Act*, which previously considered C/QPP contributions as tax deductions, changed them to a non-refundable federal tax credit of 17% of contributions for employees and the self-employed.

1989: QPP pension credit splitting was extended to include common-law spouses, and separations.

1992: Contribution rates to be increased annually by 0.1% of covered earnings for both employees and employers from 1992 to 1996. The combined rate in 1992 was 4.8%.

1997: Contribution rates increased by 0.2% of covered earnings for both employees and employers for the year. The combined rate in 1997 was 6.0%.

1998: Contribution rates increased by 0.2% of covered earnings for both employees and employers for 1998, 0.3% for 1999, 0.4% for 2000 to 2002, and 0.25% for 2003, to a maximum combined rate for both employers and employees of 9.9%.

The CPP Investment Board was created to manage and invest contributions not immediately required for benefit payments. The mandate was limited to investment in financial market indices such as the TSE 300 Composite Index. Until 1998, funds not immediately required were invested only in long-term bonds of the provincial and territorial governments, provincial Crown agencies, and the Government of Canada.

1999: The QPP extended benefits to common-law (including same-sex) surviving partners on June 16, 1999.

The CPP Investment Board mandate was broadened to allow for full discretion in the investment of up to half the funds it allocates to domestic equities, starting in August 2000.

2000: The CPP extended benefits to common-law (including same-sex) surviving partners on July 31, 2000.

Financing the C/QPP

Important changes have recently taken place in how the CPP is funded.[1] The CPP was designed in 1966 to be a pay-as-you-go program with a small reserve. This meant that benefits paid to one generation were to originate largely from contributions of younger generations. Since inception, demographic and economic developments and changes to benefits have resulted in significantly higher costs. Contribution rates were increased, but actuarial analyses done in 1996 showed that contribution rates would need to rise to very high levels—14.2% by 2030—to sustain the program. This would mean imposing a high financial burden on Canadian workers during the decades leading up to 2030.

To limit the burden, it was decided to increase rates more rapidly than originally planned, but to limit the total contribution rate to a maximum of 9.9% in 2003 and thereafter. Between 2001 and 2020, these increased rates will generate a level of contributions that will exceed benefits paid out. Funds not immediately required for benefits will be transferred to the CPP Investment Board for investment in the financial markets. The first allocation of monies, totalling $11.9 million, occurred in 1998, followed in 1999 by an allocation of $1.9 billion. QPP contributions have been invested in the financial markets for many years. The QPP investment funds are managed by the Caisse de dépôt et placement du Québec. The QPP will follow the same

[1] Source: HRDC. *Annual Report of the Canada Pension Plan, 1999-2000.*

contribution rate schedule as the CPP.

Today's program

The CPP, which covers workers in all provinces and territories except Quebec, is administered by Human Resources Development Canada; the QPP is administered by the Régie des rentes du Québec. Although some minor differences exist between the two plans, they are fully co-ordinated, and credits accumulated are fully portable if a move by a contributor leads to a change in jurisdiction.

Participation is compulsory for almost[2] all workers in Canada from age 18. Contributions must cease at age 70. Contributions are a percentage of earnings between the year's basic exemption (YBE) and the year's maximum pensionable earnings (YMPE)[3]. In 2002, the contribution rate was 9.4% (4.7% for both the employee and employer) of total annual earnings from employment between $3,500 (the YBE) and $39,100 (the YMPE). The self-employed are required to contribute the entire 9.4%. The maximum annual contribution for 2002 by an employee is therefore $1,673.20; for the self-employed, it is $3,346.40 (Table 2B-1).

Retirement benefits

Retirement benefit payments are calculated as 25% of a person's adjusted[4] average pensionable earnings over his or her contributory period, defined as the number of years between a contributor's 18th birthday (or January 1, 1966 if later) and 65th birthday (47 years)[5]. Some provisions[6] do exist to exclude periods of low or zero earnings from the contributory period for individuals who left the workforce for a period, or who entered the workforce later in life. One of these provisions allows the exclusion of up to 15% of the months in the contributory period when income was lowest. Therefore, a person retiring at 65 and earning more than the YMPE for at least 40 years (85% of the normal 47-year contributory period) would be entitled to the maximum retirement benefit; the same individual, contributing for only 30 years but otherwise unable to reduce the contributory period, would receive three-quarters of the maximum benefit. C/QPP pensions are adjusted at the beginning of every year in line with changes in the CPI.

In 2002, the maximum retirement benefit at age 65 is $788.75 per month (Table 2B-1), although both plans allow for retirement pensions to begin as early as age 60 or as late as 70. This would increase or decrease the pension benefit by up to 30% (0.5% per month for up to five years). For retirement to begin prior to age 65, the contributor must have totally or substantially ceased employment in the month preceding the beginning of the pension.

Survivor benefits

The surviving spouse (married or common-law, including a same-sex partner) of a deceased contributor is entitled to a monthly survivor's pension, if the surviving spouse is not entitled to a retirement or disability benefit in his or her own right. The contributor must have contributed for one-third of the time between his or her 18th birthday (or January 1, 1966 if later) and the time of death (3 years minimum), or in a minimum of 10 calendar years. If the surviving spouse is over 65, the benefit paid will be 60% of the deceased contributor's retirement pension. The maximum in 2002 is $473.25 per month. If the surviving spouse is under 65, the benefit will consist of a fixed amount plus 37.5% of the contributor's retirement pension. In 2002, the maximum monthly benefit paid by the CPP to survivors under the age of 65 is $437.99; for the QPP, it ranges between $660.25 and $695.37 depending on the age of the spouse and whether there are dependants (Table 2B-2). Under the CPP, surviving spouses under 35 are not eligible, and those between 35 and 45 receive reduced benefits if they are not disabled or do not have dependants under 18. If a surviving spouse is already collecting a C/QPP retirement or disability pension, aggregate benefits are subject to restrictions and a ceiling. The surviving spouse's pension commences in the month following the month in which the contributor died.

Disability benefits

If a C/QPP contributor suffers a severe or prolonged mental or physical disability making work impossible, and if the disability is of indefinite duration or likely to

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[2] Individuals in certain occupations do not participate in the C/QPP. These include certain agricultural workers, casual workers, members of religious orders, members of the Canadian Forces or Royal Canadian Mounted Police, and others. A full listing of "excepted employment" is given in the *Canada Pension Plan Act*, R.S.C. 1970, C-5, section 6(2) and *La loi sur le régime de rentes du Québec*, R.R.Q. 1981, C. R-9 chapter 4.

[3] The YMPE approximates the average Canadian wage and is based on Statistics Canada's industrial aggregate wage. The YBE was roughly 10% of the YMPE, but has been $3,500 since 1996. It was formally frozen at that level on January 1, 1998.

[4] Beginning in 1999, pensionable earnings in any given year have been revalued by multiplying the ratio of the average of the YMPE in the year of retirement and the four preceding years to the YMPE in the given year (a five-year average). In 1998, a four-year average was used; prior to 1998, it was a three-year average.

[5] In the event of early retirement (between age 60 and 64), the contributory period ends on the retirement date.

[6] The following may be dropped from a person's contributory period: periods when the individual was receiving C/QPP disability benefits, was raising children under the age of 7, or was still contributing over the age of 65. In addition, up to 15% of the months of lowest income in the remaining contributory period, if 120 months or greater, may be dropped.

result in death, he or she may qualify for a disability benefit. It is possible for a person to be considered disabled by the employer's insured disability program, but not under the C/QPP criteria.

To qualify under the CPP, the contributor must have made contributions for at least four of the last six years, or for at least four years if the contributory period is less than six years. To qualify under the QPP, the contributor must have made contributions for half the contributory period but not less than two years. No disability pension is payable to a QPP contributor entitled to full indemnity from worker's compensation. The benefit consists of a fixed amount plus an earnings-related amount. In 2002, the monthly fixed amount equals $364.49 from CPP and $364.46 from QPP. The earnings-related portion is equal to 75% of the retirement benefit, calculated as if the individual had turned 65 on the date he or she became disabled. The maximum monthly disability pensions in 2002 are $956.05 for CPP and $956.02 for QPP (Table 2B-2).

Disabilty benefits are converted to retirement benefits at the age of 65, for both the CPP and QPP.

Orphan's or child's benefit (Dependent child of a deceased or disabled contributor)

Any dependent children of deceased or disabled contributors are entitled to a monthly benefit. A dependant is defined as a person under 18 years of age or, under the CPP only, a full-time student between 18 and 25. In 2002, the flat rate (that is, not earnings-related) monthly benefit is $183.77 under the CPP and $58.35 under the QPP. For the CPP only, if both parents become disabled or die, two benefits may be paid if both individuals were contributors. Benefits cease once the child is no longer considered dependent. The value of monthly child benefits differ substantially between the CPP and the QPP. The QPP benefit rates vary for the surviving spouse according to whether or not there are dependent children, whereas the CPP surviving spouse benefit varies only with age.

Death benefits

Upon the death of an eligible contributor, a lump-sum death benefit is payable, generally to the estate. To be eligible, a contributor must have made contributions for the lesser of 10 years or one-third of the time between age 18 (or January 1, 1966 if later) and the month of death (3 years minimum). For the CPP, the lump sum death benefit is the lesser of $2,500 or six times the deceased contributor's monthly retirement pension. For the QPP, the benefit is fixed at $2,500.

Application for C/QPP benefits

Application forms are available for CPP from any Human Resources Development Canada office, and for QPP from offices of the Régie des rentes du Québec. It is advisable to apply for benefits about six months (four months for the QPP) before one's 65th birthday. Benefits are taxable as ordinary income.

Data commentary/analysis

The value of all CPP benefits paid out exceeded the total income of the program between fiscal years 1993-94 to 1997-98 (Table 2B-3). QPP benefits exceeded income for the years 1994-95 and 1998-99. In 1998, contribution rates started to increase at a more rapid rate than in earlier years. By fiscal year 1999-2000, both the CPP and QPP had income well exceeding benefits paid out.

Table 2B-4 shows the number of contributors and the amount of contributions, by sex, for the years 1990 to 1999. Over these years, the total number of contributors rose from 13.1 million to nearly 14 million, or 6.6%. Women contributors grew faster than men—9.8% and 4.1% respectively. Overall, the value of contributions more than doubled, increasing from $9.9 billion to $21.4 billion.

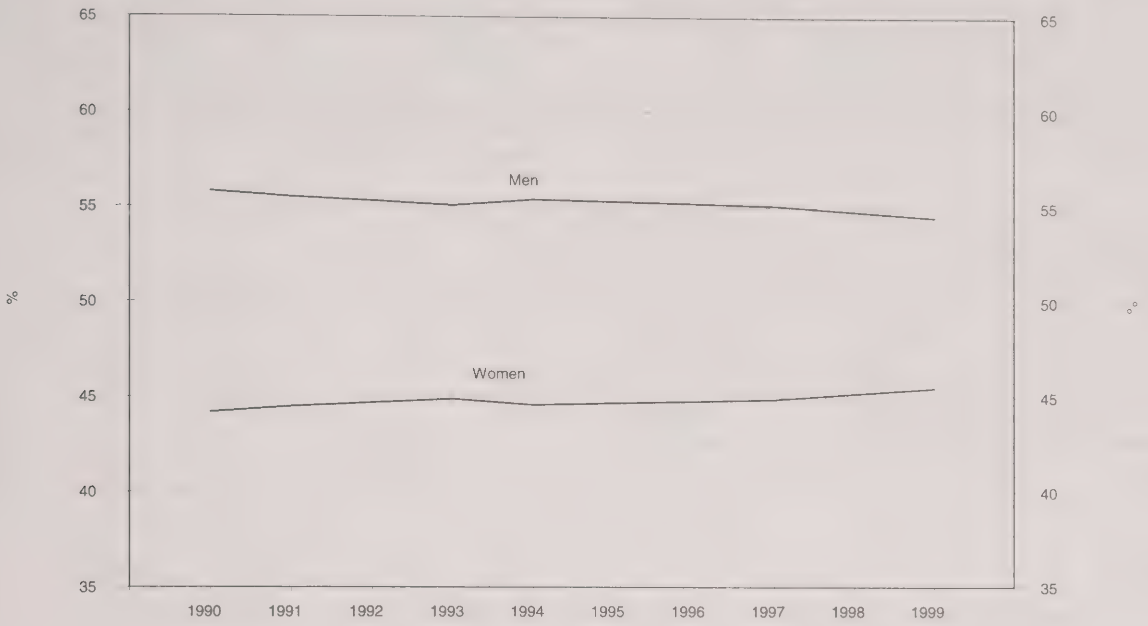
In 1990, 44.2% of all contributors were women; this proportion rose slowly and stood at 45.5% in 1999 (Chart 2B-1). As women's participation in the workforce increased, the growth in the number contributing to the C/QPP surpassed that of men in every year. Between 1990 and 1994, the number of men contributing declined every year, their participation in the labour force hindered by the economic slowdown in traditionally male-dominated industries. In 1992 and 1994, contributors of both sexes declined. Since 1995, contributors of both sexes have increased.

As the number of women contributors increased, so did their proportion of total contributions. In 1990, women's contributions represented 37.3%; by 1999, they represented 39.9%. The fact that men made up 54.5% of contributors but 60.1% of contributions in 1999 reflects the higher average wages earned by men.

The geographical distribution of contributors mirrors the distribution of the workforce as measured by the Labour Force Survey (Table 3A-3). During 1999, Ontario, British Columbia, and the Northwest Territories recorded a higher proportion of total contributions than contributors, reflecting the higher average wages paid to workers in these provinces.[7] The proportions were

[7] For information on earnings, see *Employment, earnings and hours*. Statistics Canada, catalogue no. 72-002-XIB.

Chart 2B-1 The proportion of female contributors to the C/QPP has risen over the 1990s



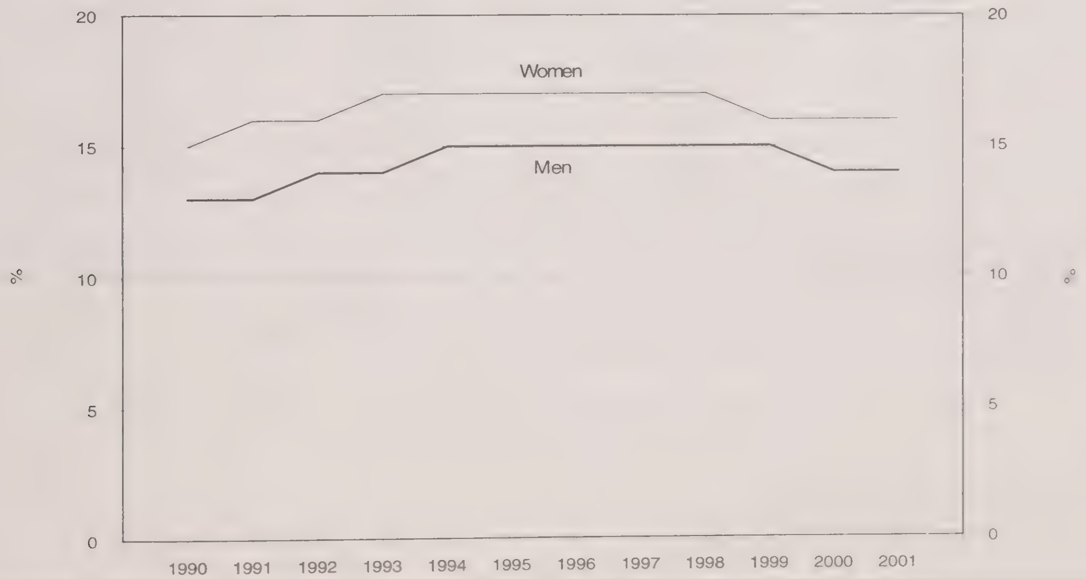
equal in Alberta and Yukon. In all other provinces, the proportion of contributions was less than the proportion of contributors. Table 2B-5 shows the percentage that each province and territory represents for the year 1999.

Not surprisingly, the amount paid for retirement pensions represented by far the largest proportion of total benefits: 69.4% in 2000 (Table 2B-6). Payments for survivor and orphans' benefits accounted for 16.5%.

In 2000, nearly 3.6 million people received a retirement benefit and nearly 1.3 million received a survivor or orphan's benefit (Table 2B-7).

In 2000, 15.2% of CPP retirement beneficiaries were below the normal retirement age of 65. An early retirement option first became available to CPP contributors in 1987; in that year, only 9.4% of beneficiaries were under 65. This percentage rose until

Chart 2B-2 The proportion of CPP beneficiaries under 65 rose over the 1990s



1996, when it peaked at 15.9%. From 1984 to 1986, only QPP members were able to collect benefits before age 65. Table 2B-8 shows a detailed classification for CPP contributors only; a similar level of detail on age and sex was unavailable for QPP retirement beneficiaries. However, Table 2B-8B shows the number and percentage of men and women beneficiaries for both CPP and QPP.

Even though many men and women are now choosing to receive benefits before 65, the proportion is greater for women (Chart 2B-2), partly because they are more likely to retire early to undertake family-related responsibilities such as caring for a sick relative or spouse.[8] Also, women are much more likely to retire early to be with a retired spouse. In 2001, 16% of all women beneficiaries were under 65, compared with 14% of men.

A provincial distribution of the average number and amount of retirement pensions paid can be found in Tables 2B-9 and 2B-10. The proportion of total retirement pensions paid is lower than the proportion of beneficiaries in Newfoundland, Prince Edward Island, Quebec, Manitoba, and Saskatchewan, reflecting the lower lifetime contributions of the retirees as compared with other provinces.

Table 2B-1 **Year's maximum pensionable earnings, Year's basic exemption, contributions and retirement benefits and combined contribution rates for Canada Pension Plan/Quebec Pension Plan**

Year	Year's maximum pensionable earnings	Year's basic exemption	Maximum employee/employer contribution	Maximum retirement benefit	Contribution rate
	$	$	$	$	%
1990	28,900	2,800	574.20	577.08	4.4
1991	30,500	3,000	632.50	604.86	4.6
1992	32,200	3,200	696.00	636.11	4.8
1993	33,400	3,300	752.50	667.36	5.0
1994	34,400	3,400	806.00	694.44	5.2
1995	34,900	3,400	850.50	713.19	5.4
1996	35,400	3,500	893.20	727.08	5.6
1997	35,800	3,500	969.00	736.81	6.0
1998	36,900	3,500	1,068.80	749.79[1]	6.4
1999	37,400	3,500	1,186.50	751.67	7.0
2000	37,600	3,500	1,329.90	762.92	7.8
2001	38,300	3,500	1,496.40	775.00	8.6
2002	39,100	3,500	1,673.20	788.75	9.4

1. The QPP amount was $750.69 for the first 6 months of the year, then reduced to $744.79 for the remainder of the year.
Source: *Annual Statistics on the Canada Pension Plan and Old Age Security*, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.
Canada Pension Plan Contributions Report, Human Resources Development Canada.
The ISP Stats Book, 2001, Human Resources Development Canada.

[8] For further details on age of retirement, consult *Age of retirement: a different perspective for men and women.* Housing, Family and Social Statistics Division; Statistics Canada.

Table 2B-2 Maximum amount for Canada Pension Plan / Quebec Pension Plan benefits, other than retirement

Year	Disability		Survivor's			Orphan's and child's		Death
			Over 65	Under 65				
	CPP[1]	QPP[2]	C/QPP[3]	CPP	QPP[4]	CPP	QPP	C/QPP
	$	$	$	$	$	$	$	$
1990	710	710	350	327	493.12 - 570.42	108	29	2,890
1991	744	744	363	338	516.81 - 597.82	113	29	3,050
1992	784	784	384	360	545.35 - 631.06	155	29	3,220
1993	813	813	401	372	562.59 - 649.85	157	29	3,340
1994	839	839	417	335	578.68 - 660.01	160	51	3,440
1995	855	853	428	392	585.71 - 667.04	161	51	3,490
1996	871	871	436	400	598.24 - 672.25	164	52	3,540
1997	883	883	442	405	606.75 - 675.89	167	53	3,580
1998	895	895	447	411	618.25 - 681.10	170	54	2,500
1999	904	904	451	414	621.65 - 681.47	171	54	2,500
1998	917	917	458	421	631.31 - 685.69	174	55	2,500
2001	935	935	465	429	644.47 - 690.22	178	57	2,500
2002	956	956	473	438	660.25 - 695.37	184	58	2,500

1. Canada Pension Plan
2. Quebec Pension Plan
3. Canada/Quebec Pension Plan
4. Varies w ith age and dependent status.

Sources: *Annual Statistics on the Canada Pension Plan and Old Age Security*, Human Resources Development Canada.
Le Régime de rentes du Québec, *Statistiques*, Régie des rentes du Québec.
ISP Stats Book, 2001 , Human Resources Development Canada.

Table 2B-3 Income and expenditures of Canada Pension Plan / Quebec Pension Plan

Fiscal year	Contributions	Investments	Other	Total income	Benefits	Administration	Total expenditure	Net income	Balance in account
					Canada Pension Plan				
	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000
1990-91	7,969	4,008	403	12,380	10,542	163	10,705	1,675	41,120
1991-92	8,391	4,170	293	12,854	11,793	134	11,927	927	42,047
1992-93	8,993	4,270	229	13,492	13,199	168	13,367	125	42,172
1993-94	8,923	4,263	182	13,368	14,402	187	14,589	-1,221	40,951
1994-95	10,464	4,177	238	14,878	15,257	200	15,457	-579	40,372
1995-96	10,607	4,082	294	14,983	15,969	219	16,188	-1,205	39,167
1996-97	11,391	3,940	326	15,657	16,655	242	16,897	-1,240	37,927
1997-98	12,790	3,792	158	16,740	17,537	298	17,835	-1,095	36,832
1998-99	14,800	3,666	445	18,910	18,195	304	18,499	411	37,243
1999-00	16,592	3,830	427	20,849	18,755	288	19,403	1,446	38,689
2000-01	21,162	3,395	507	25,063	19,485	272	19,757	5,306	43,995
					Quebec Pension Plan				
1990-91	2,308	1,299	548	4,155	3,270	74	3,343	812	15,229
1991-92	2,586	1,448	-293	3,741	3,605	78	3,684	58	15,286
1992-93	2,633	1,302	335	4,270	3,964	80	4,043	226	15,513
1993-94	2,777	1,564	-30	4,311	4,224	81	4,305	5	15,518
1994-95	3,073	937	-215	3,795	4,512	84	4,596	-800	14,717
1995-96	3,244	1,506	666	5,416	4,821	84	4,905	511	15,228
1996-97	3,374	1,469	516	5,359	5,062	86	5,148	211	15,430
1997-98	3,724	1,126	1,746	6,595	5,339	71	5,410	1,185	16,615
1998-99	4,327	1,295	-430	5,192	5,581	73	5,654	-462	16,153
1999-00	4,952	1,995	1,086	8,033	5,804	71	5,875	2,157	18,310
2000-01	--	--	--	--	--	--	--	--	--

Sources: *Annual Statistics on the Canada Pension Plan and Old Age Security*, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.
The ISP Stats Book, 2001, Human Resources Development Canada.

Table 2B-4 Total contributors and contributions to Canada Pension Plan / Quebec Pension Plan, by sex

Year	Contributors						Contributions					
	Men		Women		Total		Men		Women		Total	
	'000	%	'000	%	'000	%	$ '000,000	%	$ '000,000	%	$ '000,000	%
1990	7,323	55.8	5,804	44.2	13,127	100.0	6,214	62.7	3,693	37.3	9,907	100.0
1991	7,306	55.5	5,848	44.5	13,154	100.0	6,555	62.0	4,014	38.0	10,568	100.0
1992	7,138	55.3	5,772	44.7	12,909	100.0	6,887	61.4	4,337	38.6	11,224	100.0
1993	7,120	55.1	5,792	44.9	12,912	100.0	7,263	61.2	4,604	38.8	11,867	100.0
1994	7,001	55.4	5,637	44.6	12,638	100.0	7,875	61.3	4,982	38.7	12,857	100.0
1995	7,069	55.3	5,724	44.7	12,793	100.0	8,444	61.1	5,368	38.9	13,812	100.0
1996	7,102	55.2	5,759	44.8	12,861	100.0	8,919	61.1	5,685	38.9	14,604	100.0
1997	7,258	55.1	5,915	44.9	13,173	100.0	9,803	61.0	6,270	39.0	16,073	100.0
1998	7,474	54.8	6,160	45.2	13,634	100.0	11,282	61.0	7,319	39.3	18,601	100.0
1999	7,620	54.5	6,373	45.5	13,993	100.0	12,860	60.1	8,524	39.9	21,384	100.0

Sources: *Program Statistics*, Income Security Programs, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.

Table 2B-5 Total contributors and contributions to Canada / Quebec Pension Plans, by province, 1999

Province	Contributors[1]		Contributions	
	'000	%	$ '000,000	%
Newfoundland and Labrador	207	1.5	264	1.2
Prince Edward Island	64	0.5	78	0.4
Nova Scotia	401	2.9	564	2.6
New Brunswick	336	2.4	453	2.1
Quebec	3,368[2]	24.1	4,837	22.6
Ontario	5,375	38.4	8,728	40.8
Manitoba	506	3.6	734	3.4
Saskatchewan	418	3	595	2.8
Alberta	1,482	10.6	2,274	10.6
British Columbia	1,768	12.6	2,740	12.8
Yukon	17	0.1	27	0.1
Northwest Territories	34	0.2	58	0.3
Outside Canada	15	0.1	29	0.1
Total	**13,993**	**100**	**21,384**	**100**

1. Average number for CPP; number of beneficiaries at December 31 for QPP.
2. Includes all of QPP (that is, in Quebec, outside Canada and in any other provinces).

Sources: *Program Statistics*, Income Security Programs, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.

Table 2B-6 Amounts paid by Canada / Quebec Pension Plan, by type of benefit

Year	Retirement	Survivor's		Disability		Death	Total
		Survivor's	Orphan's	Disability	Child's		
C/QPP							
	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000	$ '000,000
1990	8,871	2,162	142	1,910	113	215	13,412
1991	9,906	2,373	145	2,126	125	219	14,895
1992	11,061	2,640	197	2,379	184	257	16,719
1993	11,941	2,858	204	2,730	232	283	18,248
1994	12,742	3,007	217	3,017	272	297	19,552
1995	13,496	3,166	216	2,950	264	298	20,389
1996	14,377	3,319	218	2,959	258	321	21,453
1997	15,224	3,483	218	2,967	253	343	22,487
1998	16,046	3,653	222	3,009	254	317	23,499
1999	16,649	3,787	220	3,061	257	314	24,288
2000	17,430	3,919	220	2,997	245	315	25,126
CPP							
1990	6,843	1,444	129	1,570	108	159	10,253
1991	7,642	1,596	133	1,772	121	161	11,425
1992	8,516	1,789	185	2,009	180	191	12,870
1993	9,197	1,959	192	2,345	228	213	14,133
1994	9,796	2,054	196	2,620	265	227	15,158
1995	10,354	2,179	196	2,542	257	223	15,751
1996	10,998	2,281	198	2,528	251	241	16,498
1997	11,656	2,413	199	2,524	246	258	17,296
1998	12,276	2,536	203	2,546	247	234	18,041
1999	12,721	2,635	202	2,586	250	230	18,624
2000	13,516	2,760	202	2,522	238	232	19,470
QPP							
1990	2,028	718	12	340	4	56	3,159
1991	2,264	777	12	354	4	57	3,469
1992	2,546	850	12	370	4	66	3,849
1993	2,743	899	12	386	4	70	4,115
1994	2,946	953	21	397	7	70	4,394
1995	3,142	987	20	408	7	75	4,638
1996	3,379	1,038	20	431	7	80	4,955
1997	3,568	1,070	19	443	7	85	5,191
1998	3,770	1,117	19	463	7	83	5,458
1999	3,928	1,152	18	475	7	84	5,664
2000	3,914	1,159	18	475	7	83	5,656

Sources: *Program Statistics* , Income Security Programs, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques , Régie des rentes du Québec.
The ISP stats book, 2001 , Human Resources Development Canada.

Table 2B-7 Number of Canada / Quebec Pension Plan benefits[1] in pay

Year	Retirement	Survivor's			Disability			Total	Death	Combined Pension
		Survivor's	Orphans	Total	Disability	Child's	Total			
					C/QPP					
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
1990	2,348	790	127	917	243	74	317	3,581	33	280
1991	2,484	831	124	956	256	78	334	3,773	32	314
1992	2,615	874	125	998	272	84	357	3,970	36	346
1993	2,742	917	125	1,042	294	95	389	4,173	37	379
1994	2,876	961	124	1,085	326	108	433	4,394	38	406
1995	3,013	999	123	1,122	344	114	458	4,593	122	449
1996	3,152	1,035	120	1,155	346	113	459	4,767	123	483
1997	3,273	1,071	119	1,190	340	110	450	4,914	139	516
1998	3,384	1,106	119	1,225	338	107	445	5,054	139	551
1999	3,492	1,139	116	1,255	339	105	444	5,190	135	582
2000	3,596	1,165	113	1,278	336	102	438	5,312	144	609
					CPP					
1990	1,784	577	93	670	200	65	264	2,718	75	218
1991	1,883	609	90	699	212	68	281	2,862	73	241
1992	1,980	640	91	731	229	75	304	3,016	82	266
1993	2,076	674	92	765	251	86	336	3,177	87	292
1994	2,169	707	92	799	281	98	379	3,347	93	320
1995	2,258	736	92	828	299	105	404	3,490	92	345
1996	2,348	763	90	853	299	104	403	3,605	92	371
1997	2,432	790	90	880	292	101	393	3,706	106	396
1998	2,513	817	91	908	288	99	387	3,808	106	423
1999	2,588	842	90	932	288	97	385	3,904	101	447
2000	2,674	864	88	952	284	94	378	4,003	108	470
					QPP					
1990	564	212	34	246	43	10	53	863	27	62
1991	601	223	34	257	43	10	53	911	26	73
1992	635	233	34	267	43	9	52	954	29	80
1993	666	244	34	277	43	9	52	995	29	86
1994	707	254	32	286	44	9	53	1,047	30	86
1995	755	263	31	294	45	9	54	1,103	30	104
1996	804	272	30	292	47	9	56	1,162	31	112
1997	841	281	29	310	48	9	57	1,208	33	120
1998	871	289	28	317	50	8	58	1,246	33	128
1999	904	297	26	323	51	8	59	1,286	34	135
2000	922	301	25	326	52	8	60	1,309	36	139

1. In order to obtain the number of beneficiaries, the number of combined pensions must be deducted from the total.

Sources: *Program Statistics*, Income Security Programs, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.
The ISP Stats Book, 2001, Human Resources Development Canada.

Table 2B-8 Number of Canada Pension Plan retirement beneficiaries, by age and sex[1]

Year	60-64						65-69					
	Men		Women		Total		Men		Women		Total	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
1990	124	53.9	106	46.1	231	13.7	330	58.2	237	41.8	567	33.5
1991	135	53.0	120	47.0	255	14.2	335	57.6	247	42.4	582	32.5
1992	148	52.1	136	47.9	284	14.9	340	56.6	261	43.4	601	31.6
1993	159	51.9	147	48.1	306	15.3	347	56.0	272	44.0	620	30.1
1994	176	51.8	164	48.2	340	15.7	366	55.9	289	44.1	655	30.3
1995	184	51.3	174	48.7	358	15.9	375	55.8	297	44.2	672	29.8
1996	190	51.0	182	49.0	372	15.9	382	55.5	306	44.5	688	29.4
1997	193	50.5	190	49.5	383	15.8	388	55.1	316	44.9	704	29.0
1998	195	49.9	196	50.1	391	15.6	393	54.6	326	45.4	719	28.7
1999	198	49.4	202	50.6	400	15.5	395	54.2	334	45.8	729	28.2
2000	199	48.9	208	51.1	407	15.2	397	53.7	342	46.3	740	27.7
2001	201	48.4	215	51.6	416	15.1	398	53.3	349	46.7	748	27.2

Year	70-74						75-79					
	Men		Women		Total		Men		Women		Total	
1990	237	58.3	169	41.7	407	24.1	169	60.1	112	39.9	281	16.6
1991	247	57.5	183	42.5	430	24.0	175	59.1	121	40.9	296	16.5
1992	259	56.5	200	43.5	459	24.1	178	58.0	129	42.0	307	16.1
1993	272	55.6	216	44.4	488	24.4	179	56.9	136	43.1	315	15.7
1994	293	55.1	239	44.9	531	24.5	185	55.9	146	44.1	332	15.3
1995	298	54.7	248	45.3	546	24.2	192	55.0	157	45.0	349	15.5
1996	306	54.5	256	45.5	562	24.0	202	54.3	170	45.7	373	15.9
1997	311	54.3	262	45.7	574	23.7	214	53.6	185	46.4	399	16.4
1998	318	54.1	270	45.9	588	23.5	224	52.9	200	47.1	424	16.9
1999	323	53.9	276	46.1	599	23.2	235	52.4	214	47.6	449	17.4
2000	332	53.7	286	46.3	618	23.2	241	51.8	225	48.2	466	17.5
2001	340	53.6	295	46.4	635	23.1	247	51.5	232	48.5	479	17.4

Year	80+						Total					
	Men		Women		Total		Men		Women		Total	
1990	128	61.5	80	38.5	208	12.3	988	58.4	704	41.6	1,692	100.0
1991	138	60.3	91	39.7	229	12.8	1,030	57.5	762	42.5	1,792	100.0
1992	148	59.0	103	41.0	251	13.2	1,073	56.4	829	43.6	1,902	100.0
1993	158	57.7	116	42.3	274	13.7	1,115	55.7	887	44.3	2,002	100.0
1994	173	56.4	134	43.6	307	14.2	1,193	55.1	972	44.9	2,165	100.0
1995	181	55.2	147	44.8	328	14.6	1,230	54.6	1,023	45.4	2,253	100.0
1996	189	54.2	160	45.8	349	14.9	1,269	54.2	1,074	45.8	2,343	100.0
1997	195	53.1	172	46.9	367	15.1	1,301	53.6	1,125	46.4	2,426	100.0
1998	200	52.1	184	47.9	384	15.3	1,330	53.1	1,176	46.9	2,506	100.0
1999	206	50.9	199	49.1	405	15.7	1,357	52.6	1,225	47.4	2,582	100.0
2000	219	49.9	220	50.1	439	16.4	1,388	52.0	1,281	48.0	2,669	100.0
2001	231	49.0	240	51.0	471	17.1	1,417	51.6	1,331	48.4	2,748	100.0

1. As of June, each year.

Source: *The ISP Stats Book, 2001*, Human Resources Development Canada

Table 2B-8B Number of Canada / Quebec Pension Plan beneficiairies by sex

Year	Canada Pension Plan		Quebec Pension Plan		TOTAL				
	Men	Women	Men	Women	Men	%	Women	%	Total
1990	988,910	704,837	335,811	226,607	1,324,721	58.7	931,444	41.3	2,256,165
1991	1,030,733	761,733	351,416	248,710	1,382,149	57.8	1,010,443	42.2	2,392,592
1992	1,073,620	828,979	367,743	266,569	1,441,363	56.8	1,095,548	43.2	2,536,911
1993	1,114,581	887,034	382,258	283,405	1,496,839	56.1	1,170,439	43.9	2,667,278
1994	1,193,730	970,940	398,343	306,867	1,592,073	55.5	1,277,807	44.5	2,869,880
1995	1,230,453	1,022,843	420,015	334,724	1,650,468	54.9	1,357,567	45.1	3,008,035
1996	1,269,237	1,074,576	438,413	365,354	1,707,650	54.3	1,439,930	45.7	3,147,580
1997	1,302,076	1,125,250	451,535	389,223	1,753,611	53.7	1,514,473	46.3	3,268,084
1998	1,330,918	1,176,362	462,065	409,373	1,792,983	53.1	1,585,735	46.9	3,378,718
1999	1,357,425	1,225,212	473,718	430,439	1,831,143	52.5	1,655,651	47.5	3,486,794
2000	1,388,493	1,282,024	--	--	--	--	--	--	--
2001	1,417,294	1,330,861	--	--	--	--	--	--	--

1. CPP as of June each year, QPP as of Dec 31 each year.

Source: *The ISP Stats Book, 2001*, Human Resources Development Canada.

Table 2B-9 Number[1] of Canada / Quebec Pension Plan retirement beneficiaries, by province

Province	1995		2000	
	'000	%	'000	%
Newfoundland and Labrador	45	1.5	56	1.6
Prince Edward Island	15	0.5	17	0.5
Nova Scotia	94	3.1	111	3.1
New Brunswick	76	2.5	89	2.3
Quebec[2]	763	25.3	930	25.9
Ontario	1,115	37	1,315	36.6
Manitoba	130	4.3	146	4.1
Saskatchewan	120	4	133	3.7
Alberta	232	7.7	285	7.9
British Columbia	391	13	471	13.1
Yukon	1	--	2	--
Northwest Territories	1	--	2	--
Outside Canada	28	0.9	39	1.1
Total	**3,011**	**100**	**3,596**	**100**

1. Monthly average number for CPP, number of beneficiaries at December 31 for QPP.
2. Includes CPP benefits paid to residents of Quebec and QPP benefits paid to persons residing both in and outside Quebec.

Source: *Program Statistics*, Income Security Programs, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.

Table 2B-10 Gross amount of Canada / Quebec Pension Plans retirement pensions paid, by province

Province	1995		2000	
	$'000,000	%	$'000,000	%
Newfoundland and Labrador	179	1.3	233	1.3
Prince Edward Island	54	0.4	71	0.4
Nova Scotia	418	3.1	532	3.1
New Brunswick	310	2.3	396	2.3
Quebec1	3,176	23.5	3,951	22.9
Ontario	5,365	39.8	6,907	40
Manitoba	567	4.2	691	4
Saskatchewan	513	3.8	619	3.6
Alberta	1,038	7.7	1,394	8.1
British Columbia	1,788	13.2	2,344	13.6
Yukon	6	--	9	--
Northwest Territories	5	--	9	--
Outside Canada	77	0.5	109	--
Total	**13,496**	**100**	**17,265**	**100**

1. Includes CPP amounts paid to residents of Quebec and QPP amounts paid to persons residing both in and outside Québec.

Sources: *Canada Pension Plan, Old Age Security, Statistical Bulletin*, Human Resources Development Canada.
Le Régime de rentes du Québec, Statistiques, Régie des rentes du Québec.

Chapter 3A: Terms and conditions of registered pension plans

by Patricia Schembari

Registered pension plans (RPPs) are retirement benefit programs provided voluntarily by employers or by unions in both the public and private sectors of the economy. Private sector plans are sponsored by individual companies, groups of employers, unions, religious and charitable organizations, and other private sector employers. Public sector plans are designed for employees of the three levels of government. They include plans for employees of federal, provincial and municipal governments and enterprises; members of the Canadian Forces and the Royal Canadian Mounted Police; and employees of government boards, commissions, and Crown corporations.

Origin of program

Pension plans originated in Europe and appeared in Canada in the mid-1800s during a period of rapid industrialization. By 1900, pension plans were in effect for federal government employees, railway workers, and employees of some commercial banks. Although RPPs today must be at least partly financed by employer contributions, the cost of some of the earliest arrangements was borne entirely by the employees.

Major program milestones[1]

1870 to 1939—first employer-sponsored pension plans

1870: The first retirement plan for federal civil servants came into effect. The present plan dates from 1924.

1874: The first industrial plan, that of the Grand Trunk Railway (now part of CN), was established.

1887: The federal *Pension Fund Societies Act* came into effect. It enabled employees of federally chartered organizations to set up pension plans to which the employer could contribute. A few pension fund societies still exist under federal and provincial acts.

1908: The *Canadian Government Annuities Act* was implemented. It created a program under which

[1] These milestones focus on the regulations governing RPPs rather than on the establishment of plans.

individuals could provide for their old age through the purchase of government annuities. The program did not have much influence on the spread of pension plans until 1940 when group contracts were allowed.

1917: Under the *Income War Tax Act,* which later became the *Income Tax Act* (ITA), employer contributions to pension plans became deductible as business expenses. No limit was set on the amount that could be contributed.

1919: The ITA was amended, allowing employee contributions to be exempted from taxation. Again, no limit was set on the amount.

1936: The ITA set a $300 annual limit on employee tax-deductible contributions.

1938: The ITA was amended again to stimulate employer pension plan growth, allowing tax exemption of employer contributions for past service.

1940 to 1959—rapid expansion of employer pension plans

1940: The Canadian Government Annuities Branch adopted group contracts. The Branch became a major underwriter of pension plans in Canada. The cost of annuities was drastically increased in 1948. The sale of government annuities was discontinued in 1975.

1941: Through an amendment to the ITA, employer contribution limits were established at $300 per employee per year, the total not to exceed 5% of payroll. See Table 3A-1 for changes to allowable tax deduction limits on contributions to RPPs.

1942: An element of supervision was introduced whereby the Minister of National Revenue was to approve each plan before contributions could be used as a tax deduction.

1946: The Department of National Revenue issued the first blue book, *Statements of Principles and Rules Respecting Pension Plans.* A guideline for sponsors, it set out criteria for ministerial approval of pension plans, including the recommendation that employers be obliged to contribute.

1957: RRSPs were introduced in an amendment to the ITA. The tax deduction limit for RRSP contributions was somewhat lower for RPP members.

1961: Deferred profit sharing plans were given tax assistance.

1965 to 1983: The federal government and seven provincial governments implemented legislation regulating RPPs. This legislation required the vesting and locking-in of pension benefits, generally at age 45 with 10 years of service, and set rules regarding the funding and investment of pension funds and disclosure on benefit provisions. The first pension regulatory legislation came into effect in Ontario on January 1, 1965. See Appendix B for the effective dates of legislation in other jurisdictions.

1966: The Canada and Quebec Pension Plans came into force. At this time, many RPPs were integrated with these plans.

1974: The Canadian Association of Pension Supervisory Authorities was officially created. Its mandate is to promote the development of pension policy in Canada, to promote the simplification and harmonization of pension plan regulation across Canada, to enhance the security of the pension plan promise, and to improve communication between regulators and the pension community.

1980: Registration of plans designed primarily for the benefit of significant shareholders, which was permitted by Revenue Canada Information Circular 72-13R6, was suspended for plans established after December 31, 1980. Information Circular 72-13R7, effective December 31, 1981, again allowed such plans if they did not provide defined benefits.

Ontario established a Pension Benefits Guarantee Fund.

1984 to 1993: Revised or amended pension regulatory legislation was implemented in most jurisdictions. This legislation established minimum standards in many areas, including eligibility conditions, vesting and locking-in of benefits, retirement ages, death/survivor benefits, cost-sharing by the employer, and portability of benefits. Pension regulatory legislation is now in effect in all jurisdictions except

Prince Edward Island. See Appendix B for effective dates and a summary of selected provisions of these acts.

1991: The Government of Canada's Bill C-52, *An Act to Amend the Income Tax Act and Related Acts*, became effective. Its purpose was to equalize the tax shelter obtainable from RPPs, RRSPs, DPSPs, or any combination of these plans. The bill significantly changed the rules for granting tax assistance for retirement savings and incorporated into law Revenue Canada's long-standing treatment of pension plans. The pension adjustment was also introduced with this legislative change[2].

The 10% limit on foreign investments in pension funds was raised to 20%.[3]

1995: The 1995 budget reduced the 1996 money purchase limit to $13,500 (Table 3A-1).

1996: The 1996 budget announced changes to the money purchase limit for years after 1996 (Table 3A-1). These are prescribed in subsection 147.1(1) of the ITA.

The limit on benefits from defined benefit plans for which tax assistance is available was frozen through to 2004 at its current level of $1,722.22 per year of service and indexed to the average Canadian wage beginning in 2005. This limit[4] is contained in subsection 8500(1) of the

Table 3A-1. Deduction limits for contributions to Registered Pension Plans for current service[1]

Taxation year	Deduction limit		
	Employer	Employee	Combined employee[2]/employer
	$	$	$
1936	---	300	
1941 - 1944	300	300	
1945 - 1953	900	900	
1954 - 1971	1,500	1,500	
1972 - 1975	2,500	2,500	
1976 - 1980	3,500	3,500	
1981 - 1985	3,500 [3]	3,500	
1986 - 1990	3,500 [3]	3,500 [3]	
1991 - 1992			12,500
1993			13,500
1994			14,500
1995			15,500
1996 - 2002			13,500
2003			14,500
2004			15,500
2005			indexed[4]

1. Additional amounts for past service are allow ed w ithin limits.
2. These are money purchase contribution limits. For defined benefit plans, employee contributior are regulated by section 8503 (4) (a) of the Income Tax Regulations w hich limits employee contributions to the lesser of 9% of the employee's earnings for the year, and $1,000 plus 70% of the employee's pension adjustment for the year.
3. This maximum applies to money purchase plans or plans w ith both defined benefit and money purchase provisions. The limit w as removed for defined benefit plans.
4. Indexed to changes in average w ages and salaries.

Source: Canada Customs and Revenue Agency, various information circulars and tax guides.

[2] See the section "Pension adjustment" in the chapter on RRSPs.

[3] See the section "Foreign property rule" in Appendix C, "Selected provisions of RPP investment regulations."

[4] This limit has been in effect since 1977.

Regulations and is relevant for the maximum pension limits in section 8504 of the Regulations for defined benefit RPPs.

1997: The pension adjustment reversal (PAR)[5] was introduced.

1999: In most jurisdictions, spousal rights were extended to same sex partners.

2001: The limit on foreign investments in pension funds was raised to 30%[6].

Today's program

Nine provinces plus the federal government have implemented legislation to protect the rights of pension plan members. The various pieces of legislation govern the minimum standards, funding and investments of the pension plans. (See Appendix B and C for a summary of the legislation.)

A small number of plans, covering close to a quarter of all RPP members, are not subject to pension regulatory legislation and have their own acts regulating their operations. These plans are mostly for federal and some provincial public servants.

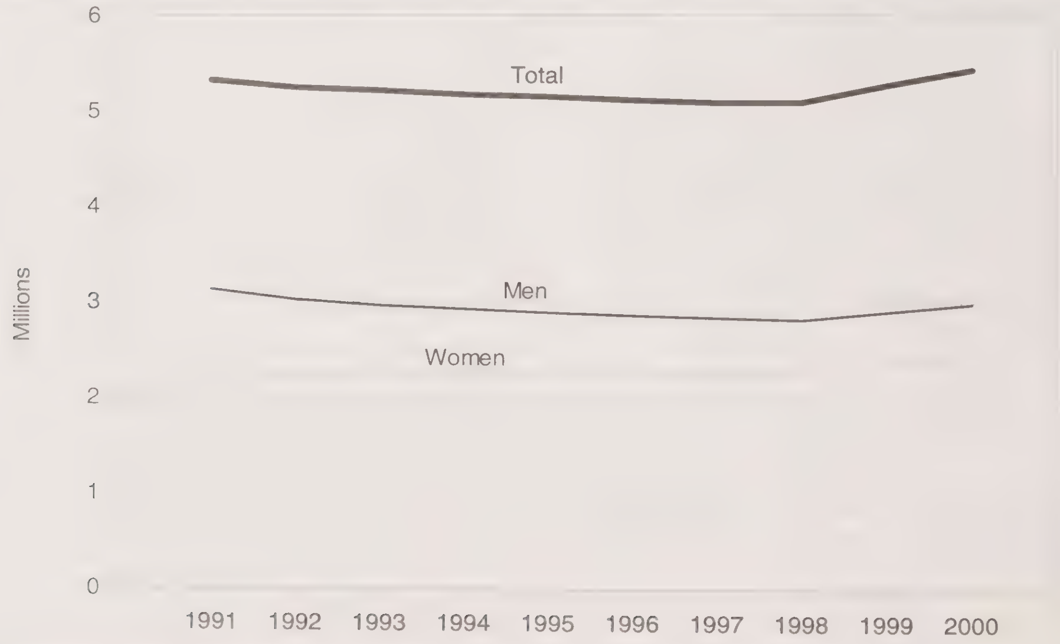
To obtain tax exemption, a pension plan must also qualify for registration under the *Income Tax Act*. The legislation sets limits on tax-deductible contributions, benefits and certain investments, and establishes limitations on ancillary benefits and miscellaneous provisions (for example, eligible service). Under the Act, monies going into the plan are not taxed, but monies coming out are fully taxed.

> Most new plans and amendments to existing plans become effective on January 1. However, information on contributions and membership is generally provided as of the plan's year-end, which is most often December 31. In this section, because frequent reference is made to members, the reference date used will be December 31.

Data commentary/analysis

The statistical data used in this section are drawn from the Pension Plans in Canada Survey. The most recent data, which were released on July 30, 2002, are for the year 2000. The analysis covers the 10-year period from 1991 to 2000.

Chart 3A-1. After several years of decline, the number of RPP members has increased since 1997



Source: Statistics Canada, Pension Plans in Canada Survey.

5 See the section "Pension adjustment" in the chapter on RRSPs.
6 See the section "Foreign property rule" in Appendix C, "Selected provisions of RPP investment regulations."

The number of RPP members is increasing

After experiencing a decline through most of the 1990s (1991 to 1997), the number of RPP members increased since 1997, this corresponds with a period of sustained growth in employment. The number of plan members increased by 7% from 1997 to 2000, a reflection of three consecutive years of growth (Chart 3A-1). By the end of 2000, over 5.4 million paid workers were members of one of the 15,355 registered pension plans.

In terms of the economy, 1991 to 1997 was a period of recession. A weak demand for labour and falling labour force participation rates was accompanied by a significant shift in the types of jobs created. From 1989 to 1997, almost all net employment growth was in the form of self-employment or part-time paid work.[7] This could have had important implications for pension plan membership since the self-employed with unincorporated businesses are not eligible for RPP membership.

The initial trend in RPP membership was marked by a 4% decline from 1991 to 1997—from 5.3 to 5.1 million members (Chart 3A-1). The decrease was due mainly to a 9% (-287,655) drop in the number of men participating in an RPP. Although the decline was experienced in many economic sectors, it was especially strong in the public sector (-14%) because of downsizing initiatives. Indeed, downsizing by the federal and provincial governments during the 1990s led to a drop in the number of men employed in the public administration and defence fields. In many cases, those who left these fields were older workers who took advantage of early retirement programs.[8]

Unlike men, the RPP membership of women was virtually unaffected by the economic recession. From 1991 to 1997, the number of women belonging to RPPs grew by 3%, or 58,020 members. More women now belong to an RPP for two main reasons: their labour force participation has increased, and so too has their access to this benefit.[9]

From 1997 to 2000, RPP membership grew 7%, increasing from 5.1 million to 5.4 million. During this period, the growth for women belonging to an RPP was larger than for men. From 1997 to 2000, the number of women rose by 9%, or 200,287 members. The growth for men began a year later; from 1998 to 2000 their numbers rose 6%, or 165,154 members.

While the largest growth occurred in the private sector (10% from 1997 to 2000), the public sector also experienced a resurgence in membership beginning in 1998. From 1998 to 2000, the number of public sector members rose by 5%.

Strong employment growth since 1997 largely explains the rise in the number of RPP members. After the recession of the early 1990s, private sector hiring did not pick up again until the latter part of the decade. Since 1998, employment growth in the public sector has been attributable mainly to growth in the health care and social assistance sectors,[10] sectors where RPP coverage is high.

Coverage rates for RPP members

To calculate the pension plan coverage rate of Canadian workers, membership data are related to labour force participation statistics from the Labour Force Survey. These two data sources are comparable, but some conceptual differences should be pointed out. First, members of Canadian RPPs living on Indian reserves or in the Yukon, Northwest Territories and Nunavut, as well as members working outside Canada (less than 1% of total RPP membership) are included as pension plan members, but excluded from the labour force count. Second, labour force estimates are annual averages, while pension plan membership refers to the number of active, employed participants at year-end. A plan's year-end could occur at any point during the calendar year, although most often it is December 31. Third, the Labour Force Survey does not cover full-time members of the Armed Forces; however, adjustments are made to the labour force estimate to eliminate this difference. Despite these conceptual differences, an analysis of labour force coverage can still provide very useful information.

To state that nearly a third of the labour force was covered by a registered pension plan at the end of 2000 is to underestimate the real coverage rate, since many people included as part of the labour force are not entitled to participate in RPPs. Participation is restricted to paid

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7 For more information, see D. Sunter. "Demography and the Labour Market." *Canadian Economic Observer* (Statistics Canada, Catalogue no. 11-101-XPB) 14, no. 3 (March 2001): 3.1–3.13.

8 See Statistics Canada. *Pension Plans in Canada: Statistical highlights and key tables, January 1, 1997.* Catalogue no. 74-401-SPB. Ottawa, 1998, page 6.

9 See K. Marshall. "Incomes of younger retired women: the past 30 years." *Perspectives on Labour and Income* (Statistics Canada, Catalogue no. 75-001-XPE) 12, no. 4 (Winter 2000): 9-17.

10 For more information, consult the following references:
G. Bowlby. "The Labour Market: Year-end review 2001" *Perspectives on Labour and Income* (Statistics Canada, Catalogue no. 75-001-XPE) 12, no. 4, (Spring 2002): 7-14.
Statistics Canada. *Labour force update: An overview of the 1999 Labour Market.* Catalogue no. 71-005-XPB. Ottawa, 2000.
— *Labour force update: An overview of the 1998 Labour Market.* Catalogue no. 71-005-XPB. Ottawa, 1999.
— *Labour force update: An overview of the 1997 Labour Market.* Catalogue no. 71-005-XPB. Ottawa, 1998.

workers having an employer-employee relationship, so the self-employed with unincorporated businesses, unpaid family workers, and the unemployed are not eligible.[11] If estimates of these groups are removed from the labour force, it can be said that 41% of all paid workers were covered by RPPs at the end of 2000.

After a decline, the coverage rates for RPP members have stabilized

From 1991 to 1998, the coverage rate for RPP members decreased because of a sharper drop in the number of plan members than paid workers (Table 3A-2). Coverage rates fell from 45% to 42% during this period. Morissette and Drolet identify a number of possible reasons to explain the decline in pension coverage during most of the 1990s.[12] According to their study, the decline is largely due to a decrease in to paid unionization and employment shifts towards low-coverage industries. Other factors could be increased competition, possibly inducing some firms to cut labour costs by terminating pension plans; increases in employer contributions to programs such as C/QPP or Employment Insurance; and administration costs of defined benefit plans.

Table 3A-2. Percentage of labour force[1] and paid workers covered by an Registered Pension Plan, by sex

	1991	1992	1993	1994	1995
Total					
Number of RPP members	5,318,090	5,244,703	5,214,647	5,169,644	5,149,912
Percentage of labour force	36.7	36.0	35.4	34.7	34.3
Percentage of paid workers	45.4	45.1	44.6	43.4	42.4
Men					
Number of RPP members	3,129,263	3,024,770	2,966,086	2,929,968	2,894,564
Percentage of labour force	38.9	37.5	36.4	35.6	35.1
Percentage of paid workers	49.2	48.1	46.8	45.3	44.0
Women					
Number of RPP members	2,188,827	2,219,933	2,248,561	2,239,676	2,255,348
Percentage of labour force	34.0	34.2	34.1	33.6	33.5
Percentage of paid workers	40.8	41.6	41.9	41.1	40.6

	1996	1997	1998	1999	2000
Total					
Number of RPP members	5,115,290	5,088,455	5,091,420	5,267,894	5,431,578
Percentage of labour force	33.6	33.4	32.9	33.4	33.8
Percentage of paid workers	42.0	41.5	40.6	40.7	40.6
Men					
Number of RPP members	2,865,624	2,841,608	2,819,290	2,904,921	2,984,444
Percentage of labour force	34.3	34.1	33.4	33.8	34.3
Percentage of paid workers	43.4	42.9	41.9	41.9	41.8
Women					
Number of RPP members	2,249,666	2,246,847	2,272,130	2,362,973	2,447,134
Percentage of labour force	32.8	32.6	32.3	32.8	33.3
Percentage of paid workers	40.3	39.9	39.1	39.3	39.3

1. The data used from the Labour Force Survey are annual averages for 1991 to 2000 to which the number of Canadian Forces members has been added. The difference between the labour force and paid workers is equal to the sum of unpaid family workers, self-employed workers (unincorporated businesses) and unemployed workers.

Source: Statistics Canada, Pension Plans in Canada Survey.

[11] It should be noted that short-service employees who do not yet meet the eligibility conditions for their employer's RPP are counted as part of the labour force but not as pension plan members.

[12] For more information, see R. Morissette, and M. Drolet. "Pension coverage and retirement savings." *Perspectives on Labour and Income* (Statistics Canada, Catalogue no. 75-001-XPE) 13, no. 2 (Summer 2001): 39-46.

While the number of RPP members rose from 1997 to 2000, the coverage rate actually remained relatively unchanged, at 41% (Table 3A-2). This indicates that the number of paid workers increased at the same rate as RPP membership during this period. The availability of other pension options such as group RRSPs might explain why pension coverage did not increase.

An examination of the trend in RPP coverage rates for men and women reveals differences (Table 3A-2). First, a pronounced drop occurred for men from 1991 to 1997, when rates fell from 49% to 42%. From 1997 to 2000, the rate stabilized at 42%, despite an increase in membership.

Among women, the coverage rate peaked in 1993, a reflection of the growth in RPP membership of women (Table 3A-2). However, as the growth in their participation in the labour force slowed and the effect of legislative changes ebbed, the growth in RPP membership of women also slowed. From 1993 to 1998, coverage rates fell slightly, from 42% to 40%, and then stabilized at 39% during the period 1998 to 2000.

The gap in coverage rates between men and women narrowed during the 1990s, largely because of the decline in the rate for men. Their rate was 8.4 percentage points higher than women's in 1991, and only 2.5 in 2000.

Provincial differences

In general, the provincial distribution of RPP membership for 2000 is similar to that of the total labour force and of paid workers[13] (Table 3A-3). However, a comparison of RPP coverage rates in the labour force with those of paid workers reveals major differences. These differences range from 4.9% to 12.7%, with coverage being higher for paid workers. As already mentioned, this difference stems from the fact that paid workers exclude unpaid family workers, self-employed workers (unincorporated businesses), and the unemployed. Usually, in provinces with high unemployment rates, the difference between RPP coverage for paid workers and the labour force is higher (for example, Newfoundland and Labrador). The situation is reversed in provinces with low unemployment (for example, Alberta) (Table 3A-4). The exceptions are Saskatchewan and Manitoba, with low unemployment and a high difference. This is explained by a higher percentage of self-employed with unincorporated businesses in these two provinces.

Table 3A-3. Number and distribution of Registered Pension Plan members, labour force and paid workers[1], by province of employment, 2000

Province of employment	RPP members	Percentage of members	Labour force	Percentage of labour force	Paid workers	Percentage of paid workers
Newfoundland and Labrador	96,700	1.8	246,018	1.5	186,018	1.4
Prince Edward Island	18,016	0.3	73,313	0.5	56,113	0.4
Nova Scotia	162,058	3.0	470,161	2.9	386,861	2.9
New Brunswick	117,951	2.2	375,300	2.3	308,900	2.3
Quebec	1,302,682	24.0	3,762,288	23.4	3,137,888	23.5
Ontario	2,130,911	39.2	6,246,249	38.9	5,273,949	39.4
Manitoba	235,823	4.3	577,166	3.6	488,166	3.6
Saskatchewan	189,988	3.5	512,293	3.2	397,493	3.0
Alberta	459,924	8.5	1,678,391	10.5	1,425,691	10.7
British Columbia	688,831	12.7	2,104,940	13.1	1,714,940	12.8
Total	**5,431,578** [2]	**100.0**	**16,047,716** [3]	**100.0**	**13,377,616** [3]	**100.0**

1. The data used from the Labour Force Survey are annual averages for 2000 to which the number of Canadian Forces was added.
2. Includes plan members in the Yukon, Northwest Territories, Nunavut and outside Canada.
3. The total includes members of the Canadian Forces from the Yukon, Northwest Territories, Nunavut and outside Canada.

Source: Statistics Canada, Pension Plans in Canada Survey and Labour Force Survey.

[13] It should be noted, however, that these distributions are affected by conceptual differences between the two data sources and by differences in data quality.

Table 3A-4. Registered Pension Plan coverage rates in labour force and paid work force, unemployment rates, percentage of paid workers in public and private sectors, by province of employment, 2000

Province of employment	Percentage of labour force covered by RPPs	Percentage of paid workers covered by RPPs	Unemployment rate (%)	Percentage of paid workers in public sector	Percentage of paid workers in private sector
Newfoundland and Labrador	39.3	52.0	16.7	31.7	68.3
Prince Edward Island	24.6	32.1	12.0	27.6	72.4
Nova Scotia	34.5	41.9	9.1	25.6	74.4
New Brunswick	31.4	38.2	10.0	26.5	73.5
Quebec	34.6	41.5	8.4	22.1	77.9
Ontario	34.1	40.4	5.7	18.8	81.2
Manitoba	40.9	48.3	4.9	27.5	72.5
Saskatchewan	37.1	47.8	5.2	28.7	71.3
Alberta	27.4	32.3	5.0	18.4	81.6
British Columbia	32.7	40.2	7.2	20.7	79.3
Total	**33.8**	**40.6**	**6.8**	**21.0**	**79.0**

Source: Statistics Canada, Pension Plans in Canada Survey and Labour Force Survey.

At the end of 2000, five provinces had coverage rates for RPP members higher than the national average of 41%. They were Newfoundland and Labrador (52%), Manitoba and Saskatchewan (48%), and Nova Scotia and Quebec (42%) (Table 3A-4). Since 1991, Newfoundland and Labrador has led the way with more than half of all paid workers covered by an employer-sponsored pension plan. In contrast, Prince Edward Island and Alberta had the lowest coverage rates, at 32%. Prince Edward Island is the only province without pension plan legislation, which may in part explain its lower coverage.

As mentioned earlier, there is usually a relation between RPP coverage and unemployment rates. There is also a relation between coverage rates and the percentage of paid workers in the public and private sectors. When the proportion of paid workers in the public sector is high, the percentage of paid workers covered by an RPP also tends to be high (Table 3A-4). The public sector also has the highest rate of unionization.[14] Pension plan coverage is more widespread in the public sector. Public institutions are not normally focused on maximizing profit, which may make it easier for them to take a leadership role in providing benefits.[15] In 2000, 87% of paid workers in the public sector were covered by an RPP. In Manitoba, the percentage of paid workers covered by an RPP is high mainly because it is the only province in which membership in employer-sponsored pension plans is mandatory.

In Ontario, Alberta and British Columbia, the percentage of paid workers covered by an RPP was lower than the national average since the proportion of private sector employees in these provinces tends to be higher. The private sector is less unionized and the percentage of paid workers covered by an RPP is lower. In 2000, only 28% of paid workers in the private sector were covered by a pension plan.

From 1991 to 2000, all provinces except Newfoundland and Labrador and British Columbia experienced a drop in RPP coverage. The largest decreases occurred in Alberta, Quebec and Nova Scotia (Table 3A-5).

Differences between the public and private sectors

Registered pension plans (RPPs) in Canada cover employees in the public and private sectors. Public sector plans cover employees in the three levels of government, including Crown corporations, government commissions and councils, and public education and health institutions. Employees could work in public administration, regulatory activities, or commercially oriented public corporations. Private sector plans include

[14] See E. B. Akyeampong. "Fact– Sheet on unionization." *Perspectives on Labour and Income* (Statistics Canada, Catalogue no. 75-001-XPE) 13, no. 3 (Autumn 2001): 46-54.
[15] See E. B. Akyeampong. "Unionization and fringe benefits." *Perspectives on Labour and Income* (Statistics Canada, Catalogue no. 75-001-XPE) 14, no. 3 (Autumn 2002): 42-46.

Table 3A-5. Percentage of paid workers covered by a Registered Pension Plan, by province of employment

Province of employment	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Newfoundland and Labrador	51.8	53.4	55.0	55.9	56.6	55.1	53.6	53.1	50.4	52.0
Prince Edward Island	36.6	35.2	37.9	36.7	33.8	32.5	33.7	33.4	34.4	32.1
Nova Scotia	48.2	48.6	48.4	45.4	44.5	44.6	44.2	41.7	42.0	41.9
New Brunswick	42.4	41.6	41.0	47.8	38.5	37.8	37.3	38.0	36.9	38.2
Quebec	49.1	48.9	48.6	46.3	45.3	45.1	44.9	42.8	43.0	41.5
Ontario	44.8	44.1	42.9	42.1	41.0	40.7	40.6	39.8	40.0	40.4
Manitoba	50.9	52.7	51.0	51.3	49.3	49.0	47.8	48.0	49.3	48.3
Saskatchewan	49.5	48.7	50.1	47.5	47.6	48.1	47.0	47.6	47.5	47.8
Alberta	40.3	38.4	39.2	37.5	36.4	34.0	31.8	31.2	31.6	32.3
British Columbia	38.6	40.0	40.0	40.1	40.2	40.0	40.0	40.1	40.1	40.2
Total	**45.4**	**45.1**	**44.6**	**43.4**	**42.4**	**42.0**	**41.5**	**40.6**	**40.7**	**40.6**

Source: Statistics Canada, Pension Plans in Canada Survey.

those established for incorporated and unincorporated companies; religious, charitable and non-profit organizations; professional associations and unions; co-operatives; and private education and health institutions (see definitions at the end of this document).

During the period 1991 to 2000, the number of RPP members in the private sector grew 7%, compared with a 3% decline in the public sector (Chart 3A-2). After 1994, with the workforce downsizing in the public sector,[16] the gap between the number of RPP members in the public and private sectors widened, despite growth in the public sector after 1998. An increasing proportion of plan members work in the private sector. Some of the increase in membership in the private sector has been caused by privatization—for example, the Hydro Ontario plan in 2000.

Although the public sector has only 8% of all RPPs, it accounted for close to half (46%) of all RPP members at the end of 2000, almost 2.5 million. The remaining 14,053 plans (92% of the total) were in the private sector;

Chart 3A-2. The gap between public and private sector RPP membership widened

Source: Statistics Canada, Pension Plans in Canada Survey.

[16] See the section "The number of RPP members is increasing."

Table 3A-6. Number of Registered Pension Plan members, by province of employment and sector, 2000

Province of employment	Public sector		Private sector	
	Members	%	Members	%
Newfoundland and Labrador	63,078	65.2	33,622	34.8
Prince Edward Island	11,694	64.9	6,322	35.1
Nova Scotia	88,817	54.8	73,241	45.2
New Brunswick	62,096	52.6	55,855	47.4
Quebec	692,450	53.2	610,232	46.8
Ontario	827,708	38.8	1,303,203	61.2
Manitoba	97,003	41.1	138,820	58.9
Saskatchewan	118,179	62.2	71,809	37.8
Alberta	195,965	42.6	263,959	57.4
British Columbia	315,515	45.8	373,316	54.2
Yukon, Northwest Territories and Nunavut	4,316	55.3	3,495	44.7
Outside Canada	4,859	23.3	16,024	76.7
Total	**2,481,680**	**45.7**	**2,949,898**	**54.3**

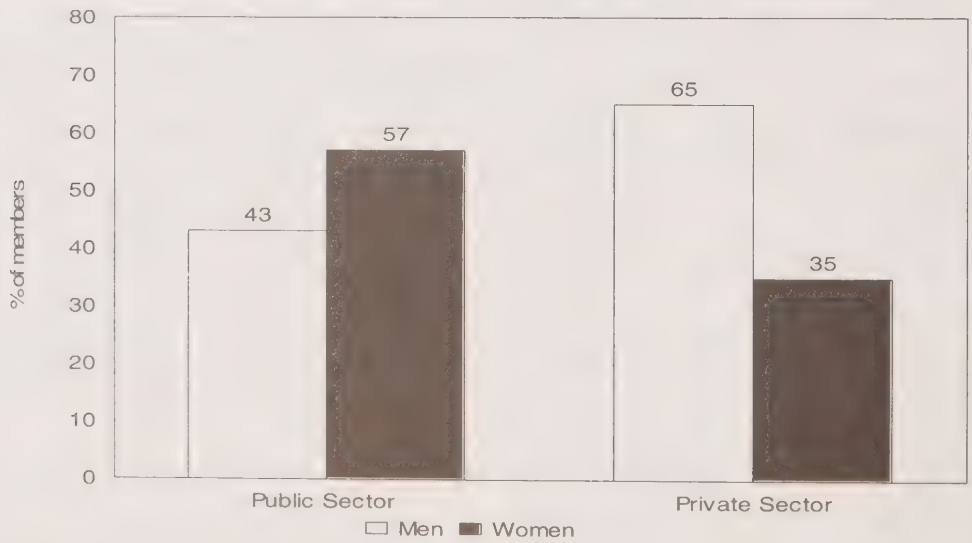
Source: Statistics Canada, Pension Plans in Canada Survey.

2.9 million members belonged to these plans (Table 3A-6).

The proportion of women (versus men) in RPPs is greater in the public sector than in the private sector. At the end of 2000, women accounted for 57% of all public sector members, and just 35% of the private sector members (Chart 3A-3). Both percentages, however, grew after 1991, when they were 52% and 31% respectively. Women also represent a larger proportion of the public sector workforce, whereas men make up the majority in the private sector.

During the period from 1991 to 2000, only medium-sized plans experienced any significant growth in RPP membership. From 1991 to 2000, membership in medium-sized RPPs (between 100 and 30,000 members) grew by 20%. However, membership in small plans (less than 99 members) and large plans (30,000 or more members) decreased by 7% and 5%

Chart 3A-3. Women account for larger proportion of public sector membership, and men of private sector membership (2000)



Source: Statistics Canada, Pension Plans in Canada Survey.

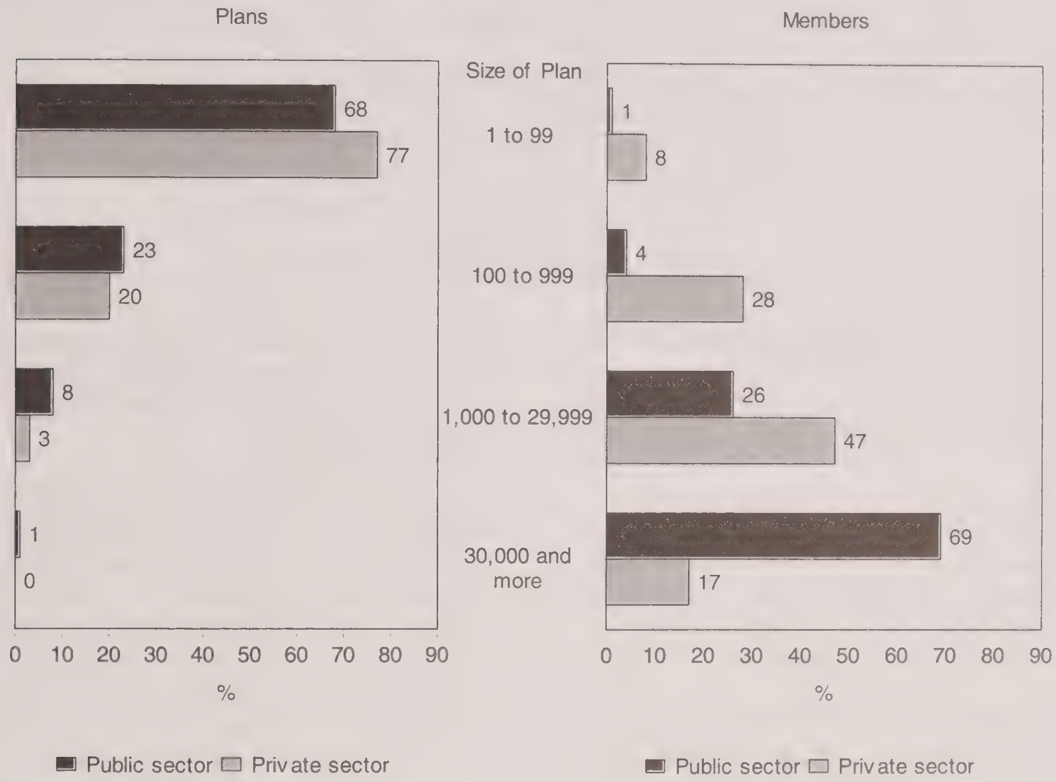
respectively. The decline in membership in small plans was due entirely to a decrease in the number of private sector plans, while the decline in membership in large plans was the result of declining membership in public sector plans.

Most large plans are found in the public sector. It is not surprising then that, at the end of 2000, more than two-thirds of public sector RPP members belonged to large plans. In the private sector, most members belonged to medium-sized and small plans (Chart 3A- 4).

contributions accumulated for each individual and the return on the investment of these monies. Under the defined benefit method, benefits are established by a formula that is stipulated in the plan text. The employer contributions are not predetermined but are calculated on the basis of actuarial valuations—that is, they are a function of the cost of providing the promised benefit, taking into consideration employee contributions, if any.

Defined contribution plans are essentially money purchase plans, in which contributions are a fixed percentage of the employee's earnings, a fixed dollar amount, or a specified number of cents per year of service/participation or per hour worked. Profit sharing pension plans are a type of money purchase plan, differing only in the basis on which contributions are made. Contributions by the employer are a function of the firm's profits with a defined minimum rate equal to 1% of employee earnings, regardless of whether a profit has been realized. These profit sharing pension plans are registered pension plans and should not be confused with deferred profit sharing plans, which are not included in this survey.

Chart 3A-4. Most of the large plans are in the public sector, 2000



Source: Statistics Canada, Pension Plans in Canada Survey.

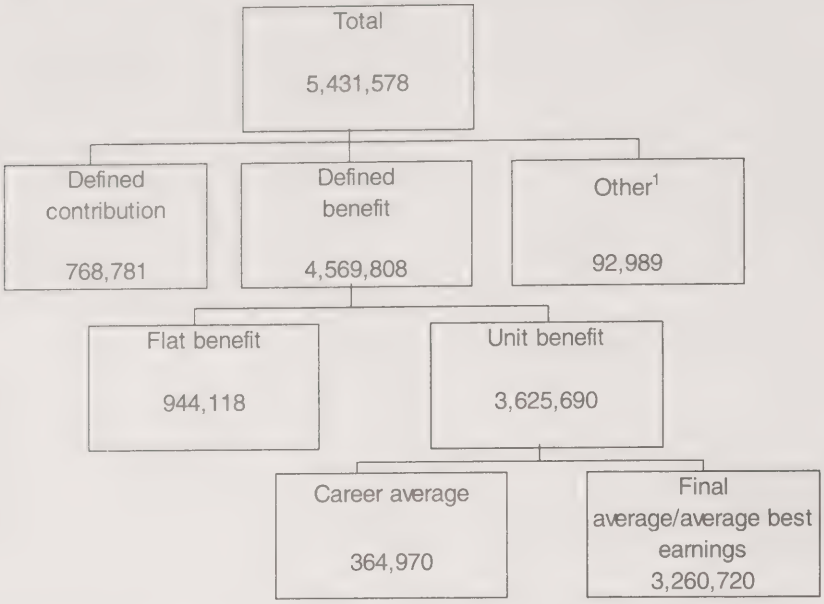
Type of retirement benefits

Even though pension plans frequently provide payments in the event of death, disability or termination of employment prior to retirement, the main purpose of the plan is to provide retirement benefits. Various methods are used to calculate benefits, and the method used identifies the type of plan. There are two basic types of RPPs: defined contribution and defined benefit (Figure 3A- 1).

Under the defined contribution method, the employer and, in the case of contributory plans, the employees are committed to a specified contribution rate. Pension benefits vary depending on the

At the end of 2000, there were 8,055 defined contribution plans with 768,781 members. These plans were almost entirely money purchase plans; they

Figure 3A-1. Type of registered pension plans and membership at the end of 2000



1. Combination of defined contribution and defined benefit, or variable formula for different categories of members.

accounted for close to 99% of all defined contribution plan members. The number of profit-sharing plans was much smaller; they numbered only 118 and had just over 9,000 members at the end of 2000 (Table 3A-7).

Defined benefit plans may be subdivided into two types: unit benefit and flat benefit plans. Flat benefit plans, as the term indicates, provide a fixed benefit under a formula that usually disregards the level of participants' earnings. Such a benefit might be, for example, $40.00 per month for each year of service.

Unit benefit plans are by far the largest category of plans in terms of membership. At the end of 2000, there were 5,891 unit-benefit plans with 3,625,690 members; they represented 84% of all defined benefit plans and 79% of all members in these plans (Table 3A-7). Under unit-benefit plans, members earn a unit of pension, usually expressed as a fixed percentage of earnings, for each year of credited service/participation. The earnings base for the calculation of benefits varies, and the plans can be subdivided into separate categories according to the base used. Final average earnings plans are those in which the unit of pension for each year of service/participation is expressed as a fixed percentage of the employee's earnings averaged over a specified period immediately before retirement. In average best plans, the employee's average earnings during a specified period of highest earnings are used as the base. In career average plans, the pension benefit is based on average earnings over the entire period of service/membership. The earnings base for some career average plans is adjusted from time to time, and excludes earnings before a specific date. For example, the earnings considered may be only those since January 1, 1990.

During the 1990s, defined contribution plans experienced the greatest change in both number of plans and members. Although the number of plans fell by 19% over the decade (from 9,901 to 8,055), the number of participants rose sharply to almost 769,000 in 2000, some 1.6 times higher than in 1991 (Chart 3A-5). This rise in membership can be attributed largely to an increase in plans with between 50 and 5,000 members, especially in the private sector. More specifically, plans with between 1,000 and 4,999 members tripled during the decade, both in terms of number of plans and number of members. In 2000, there were 95 such plans with 187,617 members.

However, despite the rise in the number of participants in defined contribution plans, defined benefit plans continue to have the greatest number of members. In 2000, 84% of all pension plan members belonged to defined benefit plans.

From 1991 to 2000, the number of defined benefit plans fell by almost 10%, from 7,870 to 7,010. The number of participants also fell, by 4% during the decade (from 4.8 to 4.6 million). From 1999 to 2000, membership in defined benefit plans increased significantly in both the private and public sectors.

Table 3A-7. Number of Registered Pension Plans and members, by type of plan

Type of plan	1991		1992		1993		1994		1995	
	Plans									
	No.	%	No.	%	No.	%	No.	%	No.	%
Defined contribution plans										
Money purchase	9,621	53.4	8,501	53.8	8,425	53.5	8,426	53.2	8,108	52.6
Profit sharing	280	1.6	212	1.3	181	1.1	183	1.2	170	1.1
Sub-total	9,901	54.9	8,713	55.1	8,606	54.6	8,609	54.3	8,278	53.7
Defined Benefit plans										
Final earnings[1]	4,044	22.4	3,594	22.7	3,711	23.6	3,740	23.6	3,625	23.5
Career average earnings	2,364	13.1	2,058	13.0	2,024	12.9	2,034	12.8	2,065	13.4
Flat benefit	1,462	8.1	1,212	7.7	1,212	7.7	1,216	7.7	1,194	7.7
Sub-total	7,870	43.7	6,864	43.4	6,947	44.1	6,990	44.1	6,884	44.6
Composite and other	257	1.4	222	1.4	196	1.2	246	1.6	267	1.7
Total	**18,028**	**100.0**	**15,799**	**100.0**	**15,749**	**100.0**	**15,845**	**100.0**	**15,429**	**100.0**

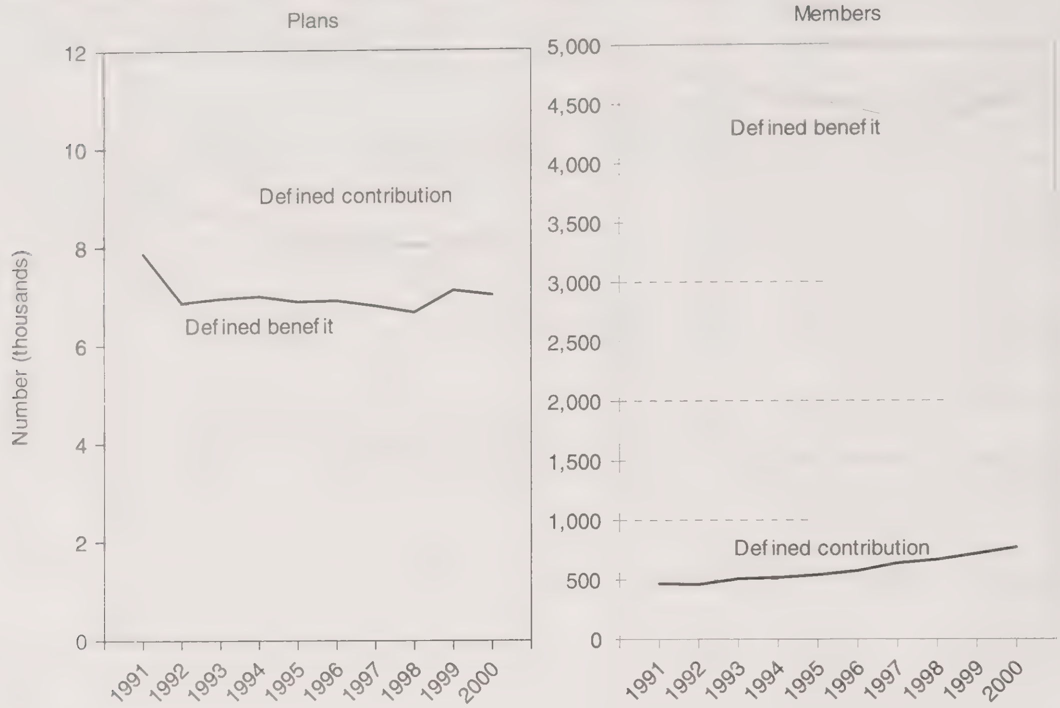
Type of plan	1996		1997		1998		1999		2000	
Defined contribution plans										
Money purchase	7,937	51.8	7,988	52.5	7,873	52.7	8,019	51.5	7,937	51.7
Profit sharing	166	1.1	151	1.0	135	0.9	133	0.9	118	0.8
Sub-total	8,103	52.9	8,139	53.5	8,008	53.6	8,152	52.4	8,055	52.5
Defined Benefit plans										
Final earnings[1]	3,586	23.4	3,522	23.2	3,433	23.0	3,687	23.7	3,631	23.6
Career average earnings	2,119	13.8	2,118	13.9	2,088	14.0	2,280	14.7	2,260	14.7
Flat benefit	1,196	7.8	1,155	7.6	1,142	7.6	1,141	7.3	1,119	7.3
Sub-total	6,901	45.1	6,795	44.7	6,663	44.6	7,108	45.7	7,010	45.7
Composite and other	304	2.0	279	1.8	271	1.8	297	1.9	290	1.9
Total	**15,308**	**100.0**	**15,213**	**100.0**	**14,942**	**100.0**	**15,557**	**100.0**	**15,355**	**100.0**

Type of plan	1991		1992		1993		1994		1995	
	Members									
	No.	%	No.	%	No.	%	No.	%	No.	%
Defined contribution plans										
Money purchase	459,590	8.6	451,802	8.6	496,606	9.5	509,117	9.8	533,074	10.4
Profit sharing	9,554	0.2	8,564	0.2	10,523	0.2	9,552	0.2	7,295	0.1
Sub-total	469,144	8.8	460,366	8.8	507,129	9.7	518,669	10.0	540,369	10.5
Defined Benefit plans										
Final earnings[1]	3,300,635	62.1	3,335,080	63.6	3,304,754	63.4	3,280,214	63.5	3,239,975	62.9
Career average earnings	502,511	9.4	482,507	9.2	459,456	8.8	412,734	8.0	396,341	7.7
Flat benefit	972,397	18.3	891,160	17.0	880,749	16.9	889,206	17.2	899,072	17.5
Sub-total	4,775,543	89.8	4,708,747	89.8	4,644,959	89.1	4,582,154	88.6	4,535,388	88.1
Composite and other	73,403	1.4	75,588	1.4	62,559	1.2	68,821	1.3	74,155	1.4
Total	**5,318,090**	**100.0**	**5,244,701**	**100.0**	**5,214,647**	**100.0**	**5,169,644**	**100.0**	**5,149,912**	**100.0**

Type of plan	1996		1997		1998		1999		2000	
Defined contribution plans										
Money purchase	566,441	11.1	628,557	12.4	658,367	12.9	707,389	13.4	759,482	14.0
Profit sharing	8,328	0.2	7,851	0.2	8,628	0.2	9,257	0.2	9,299	0.2
Sub-total	574,769	11.2	636,408	12.5	666,995	13.1	716,646	13.6	768,781	14.2
Defined Benefit plans										
Final earnings[1]	3,174,332	62.1	3,159,305	62.1	3,137,732	61.6	3,203,771	60.8	3,260,720	60.0
Career average earnings	390,555	7.6	360,598	7.1	352,902	6.9	361,759	6.9	364,970	6.7
Flat benefit	889,020	17.4	852,964	16.8	856,174	16.8	890,504	16.9	944,118	17.4
Sub-total	4,453,907	87.1	4,372,867	85.9	4,346,808	85.4	4,456,034	84.6	4,569,808	84.1
Composite and other	86,614	1.7	79,180	1.6	77,617	1.5	95,214	1.8	92,989	1.7
Total	**5,115,290**	**100.0**	**5,088,455**	**100.0**	**5,091,420**	**100.0**	**5,267,894**	**100.0**	**5,431,578**	**100.0**

1. Includes final average earnings and average best earnings plans.
Source: Statistics Canada, Pension Plans in Canada Survey.

Chart 3A-5. **Despite a rise in the number of participants in defined contributions plans, defined benefit plans continue to have the greatest number of members**



Source: Statistics Canada, Pension Plans in Canada Survey.

Contributory and non-contributory plans

By definition, an employer-sponsored pension plan cannot be funded by employee contributions exclusively. Pension regulatory legislation requires that the employers contribute to the cost of the benefit. When employees are required to make contributions to the plan, the plan is considered contributory. If the employer assumes all the costs, the plan is non-contributory.

At the end of 2000, just over 3.9 million paid workers belonged to contributory plans, an increase of 4% from 1991 (Table 3A-8). The increase is entirely attributable to a rise in the number of members in private sector contributory plans.

Non-contributory plans had a membership of only about 1.5 million at the end of 2000, a drop of 3% from 1991. The decline results from a 4% reduction in the number of participants in private sector non-contributory plans.

Almost all members of public sector plans are required to make contributions, compared with less than half in the private sector. As a result, members of non-contributory plans belong almost exclusively to the private sector.

Employer contribution formula

In 2000, 84%[17] of all RPP members participated in defined benefit plans—those with no predetermined employer contribution. In these plans, the employer pays the full cost of benefits (if it is a non-contributory plan) or the balance of the cost, taking into account employee contributions (if it is a contributory plan). Revised legislation requires that the employer pay at least 50% of the commuted value of the benefits accrued after the effective date of the legislation.

On the other hand, 14% of all RPP members belonged to defined contribution plans, in which the employer contribution was specified. The contribution could take the form, for example, of a specified amount or an amount calculated based on years of service, participation in the plan, or hours worked.

Employee contribution formula[18]

At the end of 2000, the vast majority (73%) of all RPP members belonged to contributory plans (Table 3A-8). Of these, more than one-third (38%) were

[17] Includes members of flat benefit plans that determine the employer contribution rate through collective bargaining.

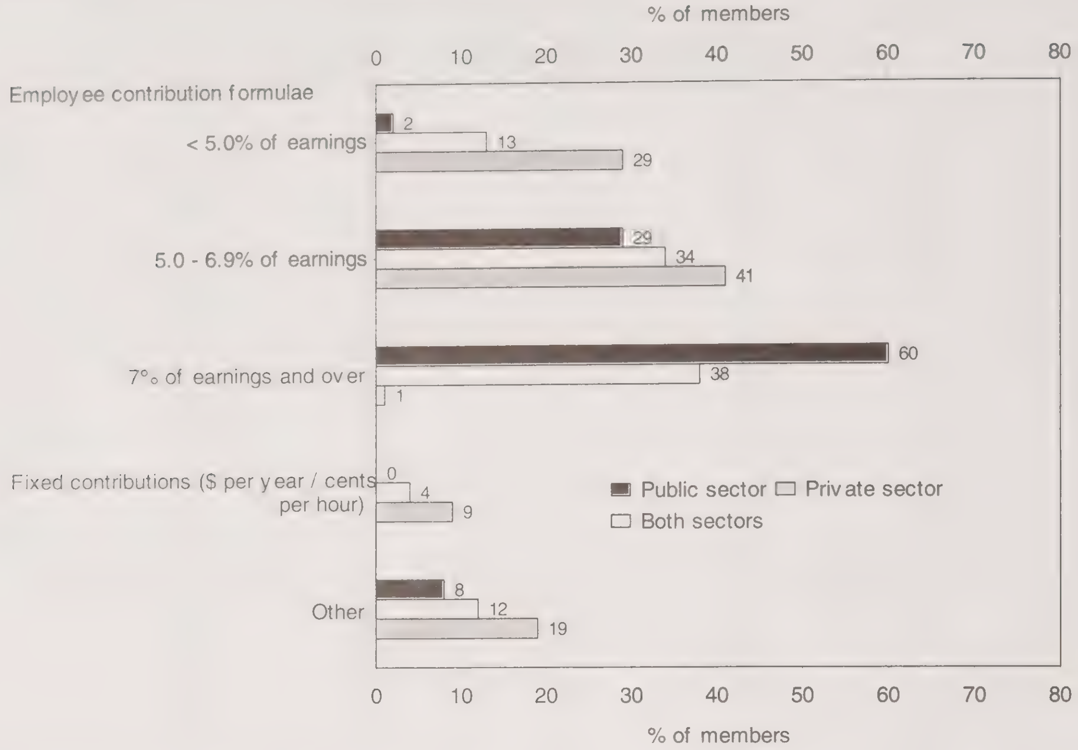
[18] The full contribution rate is used for integrated plans. See sub-section "Integration with Canada and Quebec Pension Plans."

Table 3A-8. Number of Registered Pension Plans and members, by contributory status and sector

Year	Plans					
	Contributory		Non-contributory		Total	
	No.	%	No.	%	No.	%
	Both sectors					
1991	10,264	56.9	7,764	43.1	18,028	100.0
1992	9,218	58.3	6,582	41.7	15,800	100.0
1993	9,156	58.1	6,593	41.9	15,749	100.0
1994	9,179	57.9	6,666	42.1	15,845	100.0
1995	8,934	57.9	6,495	42.1	15,429	100.0
1996	8,818	57.6	6,490	42.4	15,308	100.0
1997	8,822	58.0	6,391	42.0	15,213	100.0
1998	8,621	57.7	6,321	42.3	14,942	100.0
1999	8,763	56.3	6,794	43.7	15,557	100.0
2000	8,685	56.6	6,670	43.4	15,355	100.0
	Public sector					
1991	1,072	95.5	50	4.5	1,122	100.0
1992	1,067	95.6	49	4.4	1,116	100.0
1993	1,141	96.0	48	4.0	1,189	100.0
1994	1,169	95.9	50	4.1	1,219	100.0
1995	1,200	95.8	53	4.2	1,253	100.0
1996	1,191	95.6	55	4.4	1,246	100.0
1997	1,191	95.7	54	4.3	1,245	100.0
1998	1,182	95.5	56	4.5	1,238	100.0
1999	1,214	95.1	62	4.9	1,276	100.0
2000	1,241	95.3	61	4.7	1,302	100.0
	Private sector					
1991	9,192	54.4	7,714	45.6	16,906	100.0
1992	8,151	55.5	6,533	44.5	14,684	100.0
1993	8,015	55.0	6,545	45.0	14,560	100.0
1994	8,010	54.8	6,616	45.2	14,626	100.0
1995	7,734	54.6	6,442	45.4	14,176	100.0
1996	7,627	54.2	6,435	45.8	14,062	100.0
1997	7,631	54.6	6,337	45.4	13,968	100.0
1998	7,439	54.3	6,265	45.7	13,704	100.0
1999	7,549	52.9	6,732	47.1	14,281	100.0
2000	7,444	53.0	6,609	47.0	14,053	100.0
	Members					
	Contributory		Non-contributory		Total	
	No.	%	No.	%	No.	%
	Both sectors					
1991	3,799,629	71.4	1,518,461	28.6	5,318,090	100.0
1992	3,804,115	72.5	1,440,588	27.5	5,244,703	100.0
1993	3,794,252	72.8	1,420,395	27.2	5,214,647	100.0
1994	3,758,569	72.7	1,411,075	27.3	5,169,644	100.0
1995	3,748,587	72.8	1,401,325	27.2	5,149,912	100.0
1996	3,718,603	72.7	1,396,687	27.3	5,115,290	100.0
1997	3,730,553	73.3	1,357,902	26.7	5,088,455	100.0
1998	3,720,793	73.1	1,370,627	26.9	5,091,420	100.0
1999	3,848,745	73.1	1,419,149	26.9	5,267,894	100.0
2000	3,963,170	73.0	1,468,408	27.0	5,431,578	100.0
	Public sector					
1991	2,545,259	99.6	9,280	0.4	2,554,539	100.0
1992	2,537,746	99.6	9,009	0.4	2,546,755	100.0
1993	2,546,880	99.6	9,346	0.4	2,556,226	100.0
1994	2,517,964	99.6	8,866	0.4	2,526,830	100.0
1995	2,467,925	99.7	8,455	0.3	2,476,380	100.0
1996	2,408,628	99.6	10,394	0.4	2,419,022	100.0
1997	2,385,586	99.5	10,906	0.5	2,396,492	100.0
1998	2,352,858	99.5	10,867	0.5	2,363,725	100.0
1999	2,417,568	99.5	12,579	0.5	2,430,147	100.0
2000	2,461,657	99.2	20,023	0.8	2,481,680	100.0
	Private sector					
1991	1,254,370	45.4	1,509,181	54.6	2,763,551	100.0
1992	1,266,372	46.9	1,431,579	53.1	2,697,951	100.0
1993	1,247,372	46.9	1,411,049	53.1	2,658,421	100.0
1994	1,240,605	46.9	1,402,209	53.1	2,642,814	100.0
1995	1,280,662	47.9	1,392,870	52.1	2,673,532	100.0
1996	1,309,975	48.6	1,386,293	51.4	2,696,268	100.0
1997	1,344,967	50.0	1,346,996	50.0	2,691,963	100.0
1998	1,367,935	50.1	1,359,760	49.9	2,727,695	100.0
1999	1,431,177	50.4	1,406,570	49.6	2,837,747	100.0
2000	1,501,513	50.9	1,448,385	49.1	2,949,898	100.0

Source: Statistics Canada, Pension Plans in Canada Survey.

Chart 3A-6. The majority of public sector members contributed at the highest rates (2000)



Source: Statistics Canada, Pension Plans in Canada Survey

required to contribute 7% or more of their earnings, and another third (34%) between 5% and 7% (Chart 3A-6).

Comparing the two sectors reveals that contribution rates for contributory plans are higher for employees in the public sector than in the private sector. Indeed, at the end of 2000, the majority (60%) of public sector members contributed at the highest rates (7% to 10% of their earnings), compared with only 1% of those in the private sector (Chart 3A-6).

At the end of 2000, a higher proportion of women (83%) than men (65%) belonged to plans to which they were required to make contributions. In addition, among members of contributory plans, a higher proportion of women (42%) than men (33%) contributed between 7% and 10% of their earnings. This is because 57% of all public sector plan members were women.

Employee and employer contributions

At the end of 2000, contributions by employers and employees to registered pension plans totalled $19.4 billion, an increase of 13% from 1991 (Table 3A-9). Almost 64% of this amount, or $12.3 billion, was made by the employer. Employers paid $10.7 billion for current service and $1.6 billion to cover actuarial deficiencies and unfunded liabilities.

Over the decade, total contributions by employees and employers fluctuated, registering a high of $20.2 billion in 1993. The reasons for fluctuations varied from year to year; the increase from 1999 to 2000 was due mainly to an increase in contributions in the private sector.

Given that virtually all members of public sector plans are required to make contributions, in 2000, employee contributions accounted for 40% of total contributions to public sector pension plans. Since a much lower proportion of members (only 51%) in the private sector belonged to contributory plans, employee contributions accounted for only 30%.

From 1991 to 1992, contributions to public sector plans rose from $12.5 billion to $14.1 billion. After that, annual contributions remained below the 1992 peak, amounting to $11.6 billion in 2000. Annual contributions to private sector plans also fluctuated, but rose in the latter years of the decade, peaking in 2000 at $7.7 billion.

Table 3A-9. Annual contributions made to Registered Pension Plans, by sector and contribution source

	1991		1992		1993		1994		1995	
	$000,000	%	$000,000	%	$000,000	%	$000,000	%	$000,000	%
Both sectors										
Employee	6,323	36.8	7,052	35.8	7,308	36.2	7,359	37.5	6,983	35.5
Employer										
Current service	8,151	47.4	9,246	47.0	9,843	48.7	10,092	51.4	10,256	52.1
Actuarial deficiencies and unfunded liabilities	2,731	15.9	3,380	17.2	3,046	15.1	2,180	11.1	2,458	12.5
Total employer contributions	10,882	63.2	12,625	64.2	12,889	63.8	12,272	62.5	12,714	64.5
Total contributions	**17,205**	**100.0**	**19,678**	**100.0**	**20,197**	**100.0**	**19,631**	**100.0**	**19,697**	**100.0**
Public sector										
Employee	4,889	39.2	5,519	39.0	5,786	42.6	5,747	43.6	5,327	42.9
Employer										
Current service	5,569	44.6	6,299	44.5	6,619	48.7	6,620	50.3	6,377	51.3
Actuarial deficiencies and unfunded liabilities	2,017	16.2	2,326	16.4	1,178	8.7	806	6.1	722	5.8
Total Employer contributions	7,586	60.8	8,625	61.0	7,796	57.4	7,427	56.4	7,099	57.1
Total Contributions	**12,475**	**100.0**	**14,144**	**100.0**	**13,582**	**100.0**	**13,174**	**100.0**	**12,425**	**100.0**
Private sector										
Employee	1,434	30	1,534	27.7	1,522	23.0	1,612	25.0	1,656	22.8
Employer										
Current service	2,582	54.6	2,947	53.3	3,225	48.8	3,472	53.8	3,880	53.4
Actuarial deficiencies and unfunded liabilities	715	15.1	1,053	19.0	1,868	28.2	1,374	21.3	1,736	23.9
Total Employer contributions	3,296	69.7	4,000	72.3	5,093	77.0	4,845	75.0	5,616	77.2
Total Contributions	**4,731**	**100.0**	**5,534**	**100.0**	**6,615**	**100.0**	**6,457**	**100.0**	**7,272**	**100.0**

	1996		1997		1998		1999		2000	
	$000,000	%	$000,000	%	$000,000	%	$000,000	%	$000,000	%
Both sectors										
Employee	7,244	36.9	7,429	38.0	6,038	35.8	6,974	36.3	7,039	36.4
Employer										
Current service	10,304	52.5	10,230	52.3	9,458	56.1	10,712	55.7	10,702	55.3
Actuarial deficiencies and unfunded liabilities	2,088	10.6	1,905	9.7	1,357	8.1	1,533	8.0	1,621	8.4
Total employer contributions	12,391	63.1	12,135	62.0	10,814	64.2	12,245	63.7	12,322	63.6
Total contributions	**19,636**	**100.0**	**19,564**	**100.0**	**16,853**	**100.0**	**19,219**	**100.0**	**19,362**	**100.0**
Public sector										
Employee	5,534	43.0	5,505	42.1	4,294	39.8	4,838	40.8	4,709	40.4
Employer										
Current service	6,426	50.0	6,712	51.3	6,164	57.1	6,643	56.0	6,489	55.7
Actuarial deficiencies and unfunded liabilities	897	7.0	869	6.6	343	3.2	373	3.1	450	3.9
Total Employer contributions	7,323	57.0	7,581	57.9	6,508	60.2	7,016	59.2	6,939	59.6
Total Contributions	**12,857**	**100.0**	**13,086**	**100.0**	**10,802**	**100.0**	**11,854**	**100.0**	**11,648**	**100.0**
Private sector										
Employee	1,710	25.2	1,924	29.7	1,744	28.8	2,136	29.0	2,330	30.2
Employer										
Current service	3,878	57.2	3,518	54.3	3,294	54.4	4,069	55.2	4,212	54.6
Actuarial deficiencies and unfunded liabilities	1,190	17.6	1,036	16.0	1,013	16.7	1,160	15.8	1,170	15.2
Total Employer contributions	5,068	74.8	4,554	70.3	4,307	71.2	5,229	71.0	5,383	69.8
Total Contributions	**6,779**	**100.0**	**6,478**	**100.0**	**6,051**	**100.0**	**7,365**	**100.0**	**7,713**	**100.0**

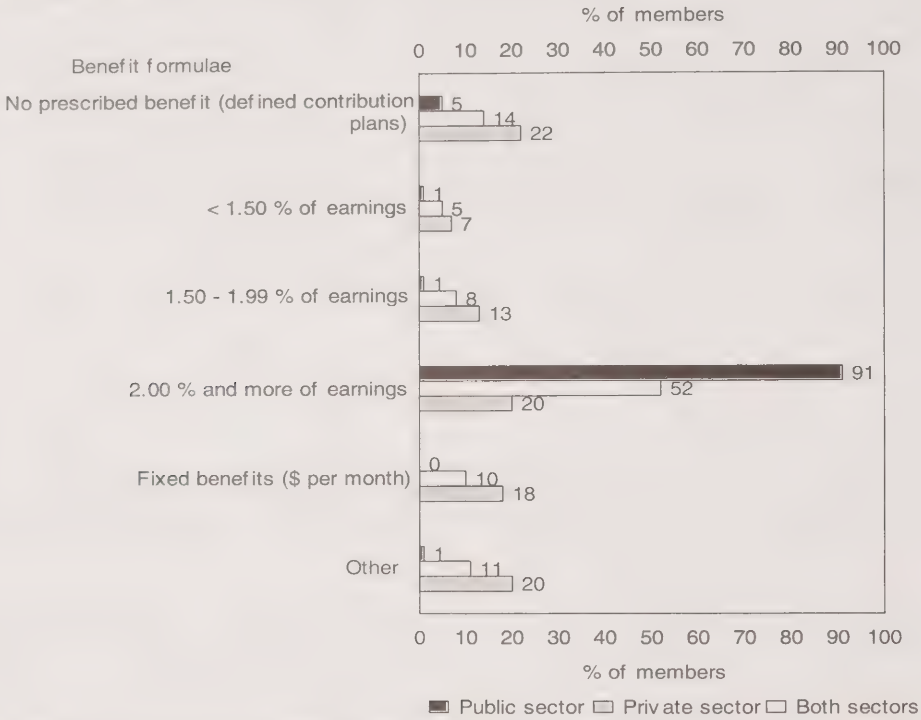
Source: Statistics Canada, Pension Plans in Canada Survey.

Benefit formula[19]

Various methods are used to calculate pension plan benefits. In 2000, the most common formula continued to be computing benefits as a percentage of earnings. Indeed, in 2000, 65% of members (3.5 million) belonged to RPPs that calculated benefits on the basis of earnings. A good number of these plan members, some 2.8 million (80%), were entitled to retirement benefits of 2% of their earnings for each year of service.

Significant differences also arise in the benefits provided by contributory and non-contributory plans. Only 28% of members of non-contributory plans, compared with 78% of members of contributory plans, were accruing a pension calculated as a percentage of their earnings. Of these, only 20% of non-contributory, compared with 89% of contributory plan members, will receive a pension based on 2% of their earnings.

Chart 3A-7. **The majority of public sector plan members will receive a benefit based on 2% of their earnings (2000)**



Source: Statistics Canada, Pension Plans in Canada Survey

As with other plan characteristics, the benefit formula differs significantly between public and private sector plans. At the end of 2000, 91% of public sector members could expect a pension that would entitle them to 2% of their earnings for each year of service/participation. In the private sector, only 20% of members had such a generous formula (Chart 3A-7).

Integration with Canada and Quebec Pension Plans

The introduction of the Canada and Quebec Pension Plans (C/QPP) in 1966 resulted in additional pension costs to employers already sponsoring RPPs (and to their employees). Therefore, most employers amended their plans to take into consideration contributions and benefits under the new public plan. Since then, many newly established RPPs have included similar integration of contributions and/or benefits in their design. Integration with Old Age Security benefits, which was also a feature of some plans, is prohibited today by the various pension benefits acts.

An integrated benefit formula generally means that employees who retire before age 65 will receive an additional amount from their RPP until they reach 65,

[19] Registered pension plans that are integrated with the Canada and Quebec pension plans (C/QPP) often have two benefit levels. In this report, the full benefit is used for integrated plans regardless of whether a lesser benefit applied to earnings below the year's maximum pensionable earnings (YMPE) or whether the ultimate pension credit was reduced by all or part of the C/QPP benefit. The YMPE is the maximum level of earnings, adjusted annually, on which contributions are made and benefits are calculated under the C\QPP.

when the C/QPP originally became payable. At 65, the benefit from the RPP is reduced. The intention is to ensure that the amount of the pension remains relatively stable. Many people now opt to receive the C/QPP at age 60. The RPP benefit is not reduced from age 60 to 64 for those who choose to receive their C/QPP prior to age 65[20]. Information on the integration formula is recorded in the Pension Plans in Canada database.

The most popular method of integration is the step-rate method, which uses two contribution and benefit rates, most commonly for earnings above and below the yearly maximum pensionable earnings (YMPE). For example, the pension per year of service may be 1.3% of earnings up to the YMPE and 2.0% of earnings over the YMPE, with members being able to make contributions of 4.8% of their earnings up to the YMPE and 7.5% of earnings above it. The second method, which is much less common, is the offset method, under which the contributions and/or benefits are reduced by all or part of contributions to, and/or benefits from, the C/QPP.

Integration occurs almost exclusively in plans in

Table 3A-10. Number of Registered Penison Plan members with contributions and/or benefits integrated with Canada/Quebec Pension Plan

	1991		1992		1993		1994		1995	
	No.	%	No.	%	No.	%	No.	%	No.	%
Employee contributions based on earnings										
Not integrated	573,997	16.4	562,616	16.0	624,261	17.8	616,628	17.8	490,279	14.3
Integrated										
Step rate	2,281,564	65.0	2,315,193	65.9	2,264,404	64.5	2,227,497	64.4	2,345,546	68.3
Offset	652,879	18.6	636,618	18.1	624,535	17.8	614,356	17.8	598,033	17.4
Sub-total	2,934,443	83.6	2,951,811	84.0	2,888,939	82.2	2,841,853	82.2	2,943,579	85.7
Total	**3,508,440**	**100.0**	**3,514,427**	**100.0**	**3,513,200**	**100.0**	**3,458,481**	**100.0**	**3,433,858**	**100.0**
Benefits based on earnings										
Not integrated	439,744	11.9	433,847	11.6	444,784	12.1	439,835	12.2	313,358	8.8
Integrated										
Step rate	2,483,589	67.4	2,510,458	67.2	2,405,565	65.4	2,356,853	65.4	2,550,538	72.0
Offset	761,793	20.7	791,060	21.2	825,821	22.5	808,350	22.4	678,673	19.2
Sub-total	3,245,382	88.1	3,301,518	88.4	3,231,386	87.9	3,165,203	87.8	3,229,211	91.2
Total	**3,685,126**	**100.0**	**3,735,365**	**100.0**	**3,676,170**	**100.0**	**3,605,038**	**100.0**	**3,542,569**	**100.0**
	1996		1997		1998		1999		2000	
	No.	%	No.	%	No.	%	No.	%	No.	%
Employee contributions based on earnings										
Not integrated	496,226	14.7	510,625	15.3	556,600	16.7	572,300	17.5	586,529	17.6
Integrated										
Step rate	2,280,792	67.8	2,279,128	68.3	2,254,951	67.5	2,171,645	66.3	2,219,175	66.5
Offset	588,580	17.5	545,312	16.4	531,113	15.9	529,151	16.2	530,344	15.9
Sub-total	2,869,372	85.3	2,824,440	84.7	2,786,064	83.3	2,700,796	82.5	2,749,519	82.4
Total	**3,365,598**	**100.0**	**3,335,065**	**100.0**	**3,342,664**	**100.0**	**3,273,096**	**100.0**	**3,336,048**	**100.0**
Benefits based on earnings										
Not integrated	301,533	8.8	332,253	9.8	329,061	9.7	304,977	8.8	309,209	8.8
Integrated										
Step rate	2,470,402	72.2	2,478,061	72.9	2,479,354	73.0	2,557,419	74.1	2,550,394	72.8
Offset	651,220	19.0	588,666	17.3	590,118	17.4	587,600	17.0	644,308	18.4
Sub-total	3,121,622	91.2	3,066,727	90.2	3,069,472	90.3	3,145,019	91.2	3,194,702	91.2
Total	**3,423,155**	**100.0**	**3,398,980**	**100.0**	**3,398,533**	**100.0**	**3,449,996**	**100.0**	**3,503,911**	**100.0**

Source: Statistics Canada, Pension Plans in Canada Survey.

[20] See H. Frenken. "Pension Plan Potpourri." *Perspectives on Labour and Income* (Statistics Canada, Catalogue no. 75-001-XPE) 7, no. 2 (Summer 1995): 20-27.

which employee contributions and benefits are calculated based on a percentage of earnings. At least four of five members of these plans had their contributions or benefits integrated with the C/QPP in 2000. The step-rate method applied for about four-fifths of this group, for both contribution and benefit rates (Table 3A-10).

During the decade, the use of the offset method to determine employee contributions declined following the increase in the C/QPP contribution rate after 1986. In effect, as the C/QPP contribution rate rises, the offset method results in an erosion of employee contributions to RPPs. Since most RPP members belong to defined benefit plans, the employer would be required to make up the eventual balance of the cost to ensure that the promised benefit is paid.

Chapter 3B: Registered pension plan assets, investment and income

by Robert D. Anderson

The total value of assets held in registered pension plans (RPPs) in 2000 was approximately $817.6 billion. This represents 70.5% of the total value of the three major retirement income programs (C/QPP, RPPs, and RRSPs) (see Table 1-3 in Overview).

The assets of RPPs can be managed or funded in several different ways. According to the provisions of the Income Tax Act, an RPP must be funded according to the terms of a trust agreement, an insurance company contract, or an arrangement administered by the federal or a provincial government. Virtually all RPPs are subject to pension legislation requiring employers to fund their plans taking certain standards of solvency into consideration. Advance funding of an RPP requires that enough assets be accumulated to pay for promised benefits as they accrue.

The two main funding arrangements are the trust agreement and the insurance company contract. Table 3B-1 shows the number of plans and the membership for each of the funding types as of January 1, 2000. Group annuities, at one time available from the federal government, were discontinued in 1975. A few plans, however, are still funded in this way.

Table 3B-1. Number of Registerd Pension Plans and members, by funding instrument, January 1, 2000

Funding instrument	Plans		Members	
	No.	%	No.	%
Insurance company contract	10,050	64.6	788,428	15.0
Trust agreement[1]	5,452	35.1	3,576,622	67.9
Government consolidated revenue arrangement	19	0.1	395,209	7.5
Other	36	0.2	507,635	9.6
Total	**15,557**	**100.0**	**5,267,894**	**100.0**

1. Includes pension fund society, combination of insured and trusteed, and RREGOP.
Source: Statistics Canada's Pension Plans in Canada Survey.

A few public sector pension plans do not have invested assets. Instead, most of the money from contributions is paid into the consolidated revenues of the appropriate government and used for general government expenditures. The few plans classified as 'government consolidated revenue arrangements' include some of the largest in the country; in 2000, these plans accounted for 7.5% of all RPP members.[1]

Insurance company contracts are used as the funding instrument by the majority of RPPs, accounting for 64.6% of all plans in 2000. However, most of these plans are relatively small, covering only 15% of total membership.

Most large plans operate under a trust agreement. A group of individuals or a trust company may act as the trustee. In 2000, trusteed plans[2] accounted for 35.1% of all plans and covered 67.9% of all members.They also held 73% of the assets accumulated in RPPs (Table 1-3 in Overview). The remainder of this chapter will focus on RPPs funded on a trusteed basis.

Assets of trusteed pension funds

The assets of trusteed pension funds represent one of the largest pools of capital in Canada, second only in size to the assets of the chartered banks. For the period under review (1990 to 2000), the current dollar book value of fund assets increased from $200 billion to over $529 billion (Table 3B-2). Book value normally represents the purchase price. At market value, assets nearly tripled from $204 billion to over $598 billion. The market value represents the potential market trading value as of December 31 of each year under review. When the market value is adjusted for inflation using constant dollars (2000 = 100), the total percentage increase in the market value from 1990 to 2000 was 151%. This is the equivalent of earning 9.62% compound interest annually on the constant dollar (inflation-adjusted) value of assets in 1990 over the 10-year period leading up to 2000.

A significant change has occurred since the 1980s in the types of assets fund managers prefer. Specifically, fund managers have tended to purchase pooled vehicles rather than invest directly in stocks and bonds. This trend was evident throughout the 1990s. Pooled vehicles represented only 5.5% of the market value of total assets in 1990, compared with 34.4% in 2000 (Chart 3B-1). As well, the gap between the proportion of assets invested in bonds and the proportion invested in stocks closed significantly. Bonds represented 45.2% in 1990 while stocks represented 29.1%. By 2000, the two were much more evenly represented—26.5% and 30.1% respectively (Table 3B-3).

Investment in mortgages has been declining in popularity for many years. Trusteed pension funds had less money invested in mortgages in 2000 ($5.2 billion)

Table 3B-2. Book and market value of total gross assets of trusteed pension funds in current and constant dollars

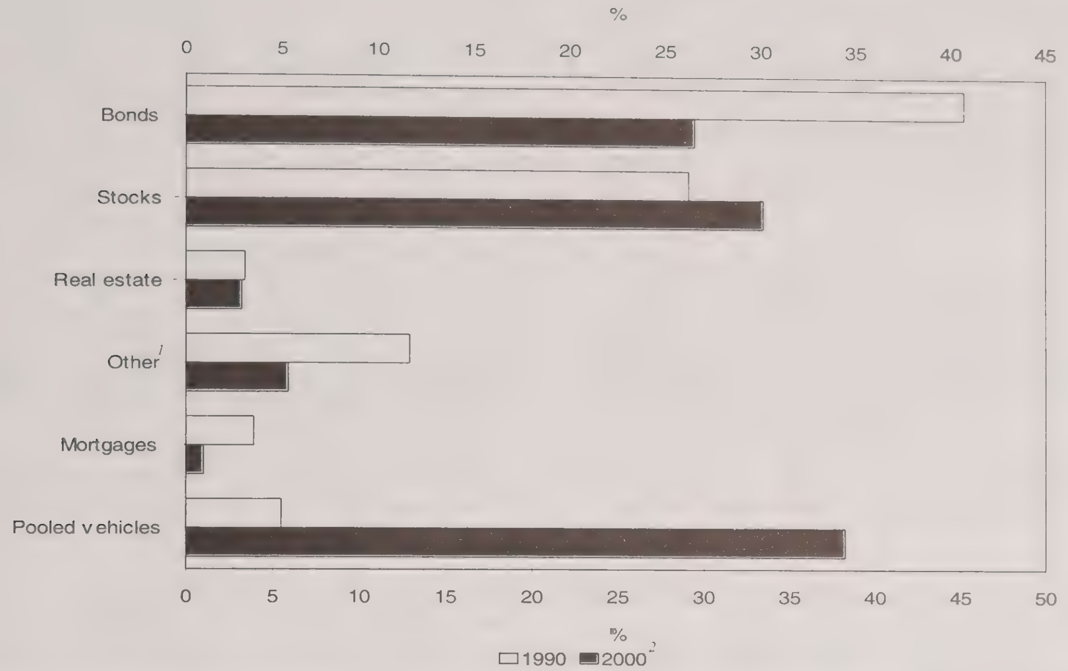
Year	Market value of total gross assets				Book value of total gross assets		Ratio market/ book value
	$ current $'000,000	change %	$ constant[1] $'000,000	change %	$ current $'000,000	change %	
1990	203,996		238,758		199,783	26.6	102.1
1992	252,583	23.8	284,156	19.0	237,307	18.8	106.4
1994	311,480	23.3	341,581	20.2	293,494	23.7	106.1
1996	418,979	34.5	441,387	29.2	352,407	20.1	118.9
1998	513,118	22.5	538,387	22.0	438,821	24.5	116.9
2000	598,162	16.6	598,162	11.1	529,174	20.6	113.0

[1] Expressed in terms of the value of the dollar in 2000.

[1] In April 2000, the federal government decided to convert the pension plans of the RCMP, the military, and the public service from the consolidated revenue arrangement to the invested assets model—the model used by trusteed pension plans. These new plans were initially funded by contributions made starting in April 2000. For the purposes of this analysis, which includes data for the calendar year ending December 31, 2000, these plans are still considered as government consolidated revenue arrangements and are not classified as trusteed pension funds. They will be included in the trusteed pension fund data in future reports.

[2] Plans funded according to the terms of a contract with an incorporated pension fund society, or plans that hold a portion of their assets under a trust agreement and the other portion under an insurance company contract are also considered trusteed for the purposes of this analysis.

Chart 3B-1 Pooled vehicles became the most popular form of investment during the nineties



1. Includes real estate and lease-backs, cash on hand and in chartered banks, guaranteed investment certificates, other short-term investments, accrued interest and dividends receivable, accounts receivable and other assets.
2. Funds with less than $10 million in assets are not included in 2000.

than they did in 1990 (nearly $8 billion). Mortgages now make up less than 1% of total assets. Investment in real estate slowly increased over the decade, from $6.9 billion in 1990 to $17.2 billion in 2000, and represented 2.9% of total assets.

Revenue, expenditure and net income

Trusteed pension funds obtain revenues from employee and employer contributions, investment income in the form of interest and dividends, and net

Chart 3B-2 Profit on sales of stocks contributed more to revenues than all other sources combined in 2000

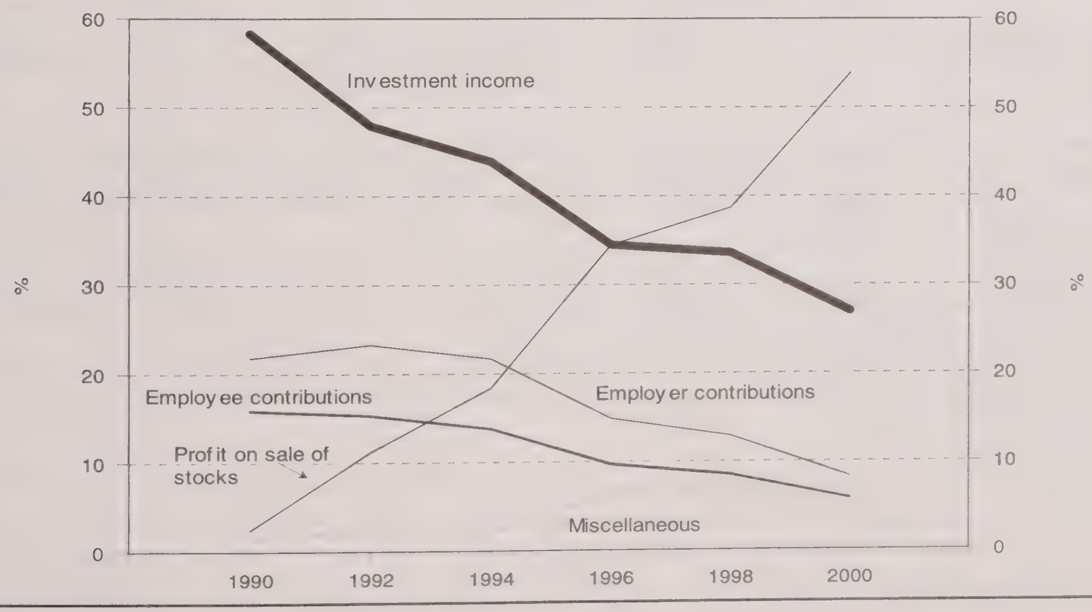


Table 3B-3 Book and market values of total gross assets

Asset category	1990		1992		1994		1996		1998		2000	
	$'000,000	%	$'000,000	%	$'000,000	%	$'000,000	%	$'000,000	%	$'000,000	%
						Book value						
Pooled vehicles	10,443	5.2	15,319	6.5	36,179	12.4	68,864	19.6	110,530	25.4	187,185	35.6
Bonds												
Canadian	91,456	45.8	103,581	44.0	114,076	39.1	114,333	32.6	136,792	31.5	141,864	27.0
Non-Canadian	708	0.4	960	0.4	1,411	0.5	1,833	0.5	7,091	1.6	6,421	1.2
Sub-total	**92,164**	**46.1**	**104,541**	**44.4**	**115,487**	**39.6**	**116,166**	**33.1**	**143,883**	**33.1**	**148,285**	**28.2**
Stocks												
Canadian	46,277	23.2	58,942	25.0	70,860	24.3	86,782	24.8	92,131	21.2	89,058	17.0
Non-Canadian	10,756	5.4	18,675	7.9	25,123	8.6	32,266	9.2	40,019	9.2	48,995	9.3
Sub-total	**57,032**	**28.5**	**77,617**	**33.0**	**95,983**	**32.9**	**119,048**	**34.0**	**132,150**	**30.4**	**138,053**	**26.3**
Mortgages	7,964	4.0	7,574	3.2	7,455	2.6	6,709	1.9	5,656	1.3	5,173	1.0
Real estate and lease-backs	5,979	3.0	8,252	3.5	10,073	3.5	11,248	3.2	12,002	2.8	16,016	3.0
Cash and short-term investments	20,991	10.5	16,475	7.0	20,211	6.9	22,026	6.3	24,648	5.7	23,526	4.5
Miscellaneous[1]	5,209	2.6	5,522	2.3	6,142	2.1	6,445	1.8	6,247	1.4	7,121	1.4
Gross assets	**199,783**	**100.0**	**235,301**	**100.0**	**291,530**	**100.0**	**350,506**	**100.0**	**435,115**	**100.0**	**525,358**	**100.0**
Debts and amounts payable	924	0.5	775	0.3	1,646	0.6	1,286	0.4	5,763	1.3	3,181	0.6
Net assets	**198,859**	**99.5**	**234,526**	**99.7**	**289,885**	**99.4**	**349,220**	**99.6**	**429,352**	**98.7**	**522,177**	**99.4**
Gross assets -funds under $5 / 10 million[2]			**2,005**		**1,964**		**1,901**		**3,707**		**3,816**	
Total gross assets	**199,783**		**237,307**		**293,494**		**352,407**		**438,821**		**529,174**	
						Market value						
Pooled vehicles	11,230	5.5	16,869	6.7	39,979	12.9	83,283	20.0	124,506	24.5	204,382	34.4
Bonds												
Canadian:	91,590	44.9	109,828	43.8	113,484	36.7	126,966	30.4	150,779	29.6	150,421	25.4
Non-Canadian	712	0.3	983	0.4	1,442	0.5	1,902	0.5	7,599	1.5	6,755	1.1
Sub-total	**92,302**	**45.2**	**110,811**	**44.2**	**114,926**	**37.2**	**128,868**	**30.9**	**158,378**	**31.1**	**157,176**	**26.5**
Stocks												
Canadian:	47,783	23.4	61,553	24.6	80,350	26.0	117,060	28.1	115,138	22.6	116,968	19.7
Non-Canadian	11,657	5.7	23,190	9.3	30,100	9.7	41,681	10.0	57,084	11.2	61,706	10.4
Sub-total	**59,440**	**29.1**	**84,743**	**33.8**	**110,450**	**35.7**	**158,741**	**38.1**	**172,222**	**33.9**	**178,674**	**30.1**
Mortgages	7,931	3.9	7,932	3.2	7,422	2.4	7,107	1.7	5,829	1.1	5,215	0.9
Real estate and lease-backs	6,936	3.4	8,067	3.2	9,299	3.0	10,096	2.4	12,283	2.4	17,249	2.9
Cash and short-term investments	20,942	10.3	16,418	6.6	20,206	6.5	21,972	5.3	24,538	4.8	23,539	4.0
Miscellaneous[1]	5,215	2.6	5,587	2.2	7,068	2.3	6,517	1.6	10,746	2.1	7,479	1.3
Gross assets	**203,996**	**100.0**	**250,427**	**100.0**	**309,350**	**100.0**	**416,583**	**100.0**	**508,502**	**100.0**	**593,716**	**100.0**
Debts and amounts payable	924	0.5	775	0.3	1,638	0.5	1,295	0.3	5,750	1.1	3,186	0.5
Net assets	**203,072**	**99.5**	**249,652**	**99.7**	**307,713**	**99.5**	**415,288**	**99.7**	**502,753**	**98.9**	**590,530**	**99.5**
Gross assets -funds under $5 / 10 million[2]			**2,156**		**2,129**		**2,396**		**4,615**		**4,446**	
Total gross assets	**203,996**		**252,583**		**311,480**		**418,979**		**513,118**		**598,162**	

1. Includes accrued interest and dividends receivable, accounts receivable and other assets.
2. Gross assets, book value. Before 1992, the assets of these funds were distributed among the various investment categories.
Between 1992 and 1996, funds with less than $5 million in book-value of assets are included in this line; in 1998, it is funds with less than $10 million in assets.

profits from the sale of stocks. The relative importance of these revenue sources changed considerably over the 1990s. Chart 3B-2 shows their percentage composition from 1990 to 2000. Contributions represented nearly 38% of total revenue in 1990; by 2000 they accounted for only about 14%. Investment income declined from 58% to 27%. On the other hand, profits from the sale of stocks (securities) increased from 2.4% to 54%. The 1990s saw a period of low interest rates, which limited the growth of investment income. However, more importantly, over the decade, stock prices rose rapidly. The TSE 300 Composite Index, a measure of stock prices, started 1990 at 3970 and closed in December 2000 at 8934, having experienced peaks above 10,000 during much of 2000. It was also during this time (starting in the 1980s) that investment restrictions on public sector funds were loosened, allowing for less dependence on bonds and more emphasis on stocks, in line with private sector funds. In short, changing economic factors plus changes to fund investment strategies led to a shift in the relative importance of the various revenue sources.

Expenditures of trusteed pension funds consist mainly of benefit payments (pension payments out of funds, and the cost of purchasing a pension from an insurance company), and administration costs. In 2000, benefit payments for the year were over $21 billion (Table 3B-4).

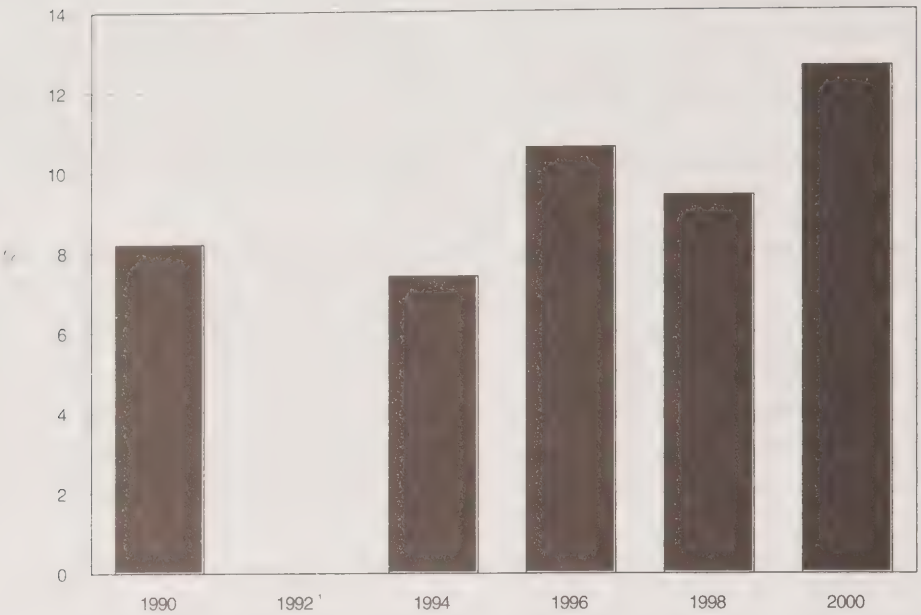
While investment income (interest and dividends) grew 49% from 1990 to 2000 ($15.9 to $23.7 billion), profits on the sale of securities grew from $664 million to over $47 billion. Net income, which was $15 billion in 1990, nearly quadrupled by 2000 to over $56 billion (measured in current dollars). The very large net income levels registered over the latter part of the decade allowed many pension funds to increase benefits and

Table 3B-4 Revenue, expenditures and net income

Revenue and expenditures	1990	1992	1994	1996	1998	2000
Revenue:			$'000,000			
Contributions						
Employee contributions	4,341	4,956	5,306	5,306	5,145	5,043
Employer contributions	5,952	7,566	8,340	8,181	7,829	7,253
Sub-total	**10,294**	**12,522**	**13,646**	**13,488**	**12,974**	**12,296**
Other revenue:						
Investment income	15,908	15,515	16,858	18,895	20,451	23,670
Realized profit on sale of securities	664	3,618	7,080	18,913	23,537	47,219
Miscellaneous	417	751	834	3,490	3,836	4,436
Sub-total	**16,989**	**19,884**	**24,772**	**41,289**	**47,824**	**75,325**
Funds under $ 5 / $ 10 million[1]		293	324	340	599	650
Total Revenue	27,282	32,699	38,742	55,125	61,396	88,271
Expenditures:						
Pension payments out of funds	8,979	10,721	13,396	15,589	18,657	20,914
Cost of pensions purchased	229	104	202	123	159	210
Cash withdrawals	1,634	1,706	2,911	5,073	5,419	3,891
Administration costs	481	606	757	925	1,164	1,495
Realized loss on sale of securities	826	237	1,047	1	337	57
Other expenditures	80	164	667	953	1,505	1,567
Funds under $ 5 / $10 million[1]		929	395	1,170	2,460	3,994
Total Expenditures	**12,229**	**14,467**	**19,375**	**23,833**	**29,701**	**32,128**
Net income	**15,053**	**18,232**	**19,367**	**31,292**	**31,696**	**56,143**

1. Gross assets, book value. Before 1992, the income and expenditures of these funds were distributed among the various categories. For 1994 and 1996, funds with assets under $5 million were not required to provide income or expenditure detail. In 1998, this limit was raised to $10 million.

Chart 3B-3 Return on investment ranged from 7.4% in 1994 to 12.6% in 2000



[1] The rate of return is calculated by dividing investment income by the market value of assets at the close of the previous year. No survey was conducted in 1991, so a rate of return cannot be calculated for return on investment in 1992.

offer early retirement packages, and allowed some employers to take a contribution holiday. In fact, total contributions were lower in 2000 than in 1992.

Return on investment

A measure of return on investment is total investment income (interest, dividends, and net profits/ losses on the sale of stocks) for the year as a percentage of the total market value of assets at the beginning of the year. Chart 3B-3 shows rates ranging from 7.4% in 1994 to 12.6% in 2000. These are the overall industry averages and would vary for any particular fund for a variety of reasons including asset mix, investment policy, and market conditions.

Public and private sectors

Public sector funds are established by the federal, provincial and municipal governments. The public sector

Table 3B-5 Funds, members, revenue, expenditures, net income and total gross assets at market value, by sector, 2000

	Total		Public sector		Private sector	
		%		%		%
Funds (no.)	3,193	100.0	270	8.5	2,923	91.5
Members (,000)	4,018	100.0	1,976	49.2	2,042	50.8
Revenue ($,000,000)	88,271	100.0	54,377	61.6	33,894	38.4
Expenditures ($,000,000)	32,127	100.0	16,201	50.4	15,927	49.6
Net income ($,000,000)	56,144	100.0	38,176	68.0	17,967	32.0
Total gross assets ($,000,000)	598,162	100.0	374,330	62.6	223,832	37.4

funds under discussion here do not include those known as government consolidated revenue arrangements. As explained earlier, these funds do not have invested assets.

Many public sector funds are very large in terms of both membership and assets. While representing only 8.5% of all funds in 2000, they held nearly 63% of total assets at market value and covered nearly half of all members (Table 3B-5). Of the 85 funds in 2000 with assets of $1 billion or more at market value, 49 were public sector funds, as were 13 of the 23 funds with 30,000 members or more.

During the 1990s, the investment strategies of public sector funds became very similar to the strategies of their private sector counterparts. Private sector funds have always had a relatively equal mix of bonds and stocks whereas public sector funds have not. Chart 3B-4 shows that in 1990, public sector funds had about 52% of their market-valued assets invested in bonds and 25% in stocks. By 2000, the proportions were much more even—26% and 29% respectively. There are essentially three reasons for the shift. Restrictions were loosened on the requirement for public sector funds to invest heavily in bonds and non-marketable securities. Second, diminishing interest rates on fixed-income securities made marketable securities the obvious alternative. Third, the market value of stocks increased at a greatly accelerated pace during the 1990s, undoubtedly a powerful inducement to fund managers to invest a larger portion of fund assets in stocks.

In the early 1990s, pooled funds were more commonly held by private sector rather than public sector pension funds. By 1996, however, public sector funds had caught up (Table 3B-6). In 2000, public sector funds had about 35% of their total assets invested in pooled funds, while the private sector had about 34%. A pooled fund is generally managed by a trust company (or a crown corporation in the case of government pension plans). The pension fund owns units of the pooled fund. The pooled funds can be invested in various assets such as equities, bonds, or real estate.

The only significant difference in the asset mix of public and private sector funds is in real estate (included with 'other' in Table 3B-6). This was the case for the entire decade under review. Of the $17.2 billion invested in real estate in 2000, 86% had come from the public sector. Pension plans often have provisions for indexing benefits to counter the effects of inflation. Real estate is a hedge against these effects because of its long-term sensitivity to inflation. Most investment in real estate by trusteed pension funds is done by a few very large public sector funds.

Chart 3B-4 The investment strategy of public sector funds became very similar to private sector funds over the nineties

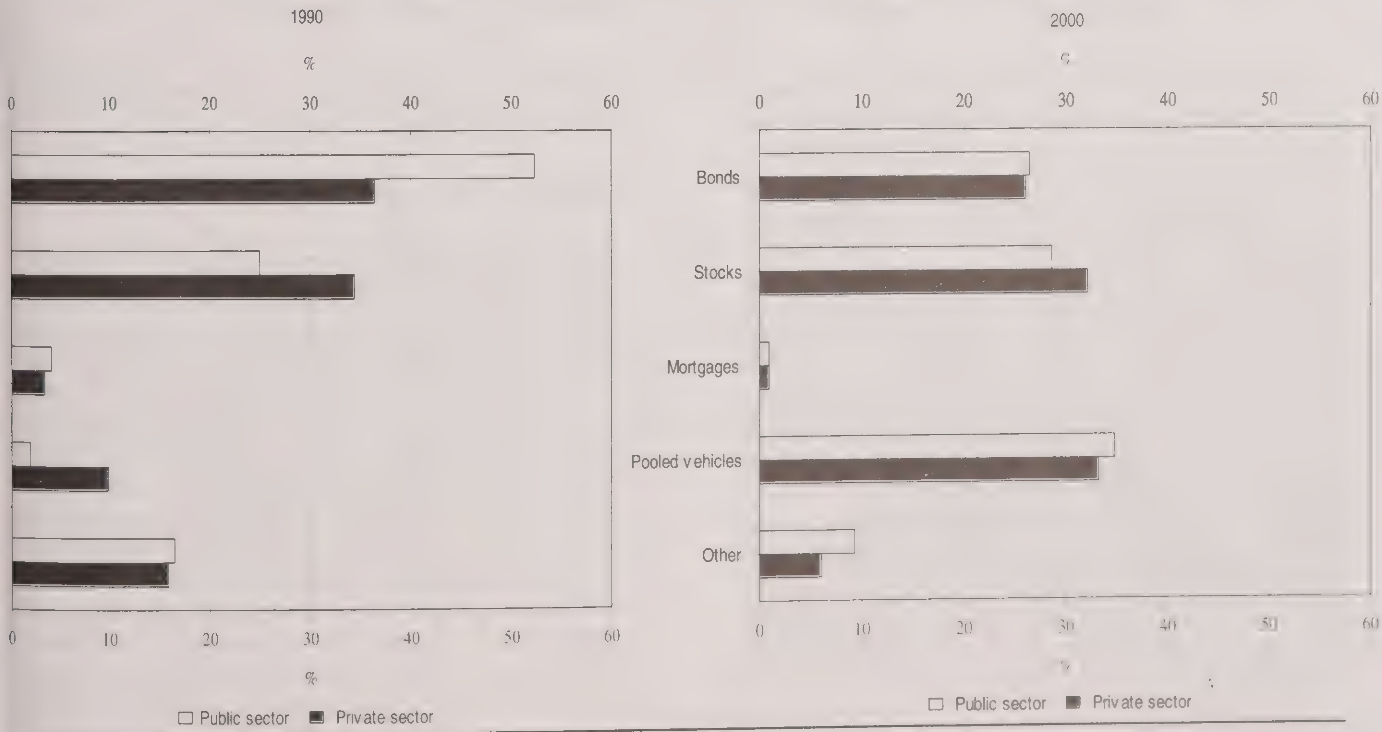


Table 3B-6 Market value of gross assets, by sector

	Total[1]		Bonds		Stocks		Mortgages		Pooled vehicles		Other[2]	
	$'000,000	%	'000,000	%	'000,000	%	'000,000	%	'000,000	%	'000,000	%
Public sector:												
1990	113,698	100.0	59,422	52.3	28,417	25.0	4,813	4.2	2,318	2.0	18,728	16.5
1992	152,537	100.0	74,653	49.0	46,529	30.5	4,721	3.1	6,556	4.3	19,975	13.1
1994	194,959	100.0	77,073	39.5	66,813	34.3	4,753	2.4	21,628	11.1	24,692	12.7
1996	253,964	100.0	77,543	30.5	94,480	37.2	4,386	1.7	53,431	21.0	24,124	9.5
1998	319,791	100.0	98,310	30.7	106,924	33.5	3,646	1.1	76,400	23.9	34,511	10.8
2000	374,118	100.0	98,967	26.5	106,878	28.6	3,293	0.8	130,157	34.8	34,823	9.3
Private sector:												
1990	90,297	100.0	32,879	36.4	31,023	34.4	3,117	3.5	8,913	9.9	14,365	15.9
1992	97,994	100.0	36,159	36.9	38,215	39.0	3,211	3.3	10,313	10.5	10,096	10.3
1994	114,392	100.0	37,854	33.1	43,637	38.1	2,669	2.3	18,351	16.0	11,881	10.4
1996	162,619	100.0	51,325	31.6	64,260	39.5	2,721	1.7	29,852	18.4	14,461	8.9
1998	188,709	100.0	60,067	31.8	65,298	34.6	2,183	1.2	48,106	25.5	13,055	6.9
2000	219,597	100.0	58,210	26.5	71,796	32.7	1,922	0.9	74,225	33.8	13,444	6.1
Both sectors:												
1990	203,995	100.0	92,301	45.2	59,440	29.1	7,930	3.9	11,231	5.5	33,093	16.3
1992	250,428	100.0	110,812	44.2	84,744	33.8	7,932	3.2	16,869	6.7	30,071	12.0
1994	309,351	100.0	114,927	37.2	110,450	35.7	7,422	2.4	39,979	12.9	36,573	11.8
1996	416,583	100.0	128,868	30.9	158,740	38.1	7,107	1.7	83,283	20.0	38,585	9.3
1998	508,500	100.0	158,377	31.1	172,222	33.9	5,829	1.1	124,506	24.5	47,566	9.4
2000	593,715	100.0	157,177	26.5	178,674	30.1	5,215	0.9	204,382	34.4	48,267	8.1

1. For 1994 and 1996, excludes funds with gross assets, book value, of less than $5 million. In 1998, this limit was raised to $10 million.
2. Includes real estate and lease backs, cash on hand and in chartered banks, guaranteed investment certificates, other short term investments, accrued interest and dividends receivable, accounts receivable and other assets.

Employee contributions constitute a greater proportion of total contributions in the public sector than they do in the private sector. In 2000, public sector contributions totalled $7.5 billion (Table 3B-7) of which 49% were made by employees. In the private sector, employees contributed 28% of the $4.8 billion total. The reason for the difference is that almost all public sector employees (90%) are required to contribute, compared with only 53% of private sector employees.

In 2000, the total revenue of all trusteed pension funds was $88.3 billion, of which 62% was received by public sector funds. Expenditures were $32.1 billion, with public sector funds accounting for half. Total net income was $56.1 billion; public sector funds earned 68% of that amount. For the decade under review, public sector funds earned on average 70% of total net income, with a high of 74.7% recorded in 1992 and a low of 65.6% in 1996. The higher income of public sector funds can be related to both higher investment income generated from a larger asset base and additional revenue from employee contributions.

Foreign investment

At the end of 2000, investment outside Canada totalled $122.8 billion at market prices, representing 20.7% of total assets (Table 3B-8). The foreign component is composed mostly of stocks (50%) and pooled vehicles (44%). It is thought that most of these pooled vehicles are equities, but it is not possible to identify their exact composition. Bonds represent 5.5% of foreign assets, with the remaining half percentage point being short-term investments. There is little difference in the asset mix between public and private sector funds. Because foreign pooled vehicles have become widely available in recent years, the 1990s saw less investment in stocks and more in pooled funds. Generally, less risk is associated with investing in a pooled fund compared with investing directly in stocks.

Table 3B-7 Revenue, expenditures and net income by sector, 2000

Revenue and expenditures	Total		Public sector		Private sector	
Revenue:			$'000,000			
Contributions						
Employee contributions	5,043	5.8	3,687	6.8	1,356	4.1
Employer contributions	7,253	8.3	3,832	7.1	3,422	10.3
Sub-total	**12,296**	**14.0**	**7,519**	**13.8**	**4,778**	**14.3**
Investment income	23,670	27.0	14,806	27.3	8,864	26.6
Realized profit on sale of securities	47,219	53.9	30,903	56.9	16,316	49.0
Miscellaneous	4,436	5.1	1,064	2.0	3,372	10.3
Sub-total	**75,325**	**86.0**	**46,773**	**86.2**	**28,552**	**85.7**
Revenue	**87,621**	**100.0**	**54,291**	**100.0**	**33,329**	**100.0**
Funds under $10 million[1]:	650		86		564	
Revenue	**88,271**		**54,377**		**33,894**	
Expenditures						
Pension payments out of fund	20,914	74.3	11,899	73.8	9,015	75.0
Cost of pension purchased	210	0.7	35	0.2	175	1.5
Cash withdrawls	3,891	13.8	2,056	12.8	1,835	15.3
Administration costs	1,495	5.3	747	4.6	748	6.2
Realized loss on sale of securities	57	0.2	9	0.1	48	0.4
Other expenditures	1,567	5.7	1,371	8.5	196	1.6
Expenditures	**28,133**	**100.0**	**16,116**	**100.0**	**12,017**	**100.0**
Funds under $10 million[1]:	3,994		84		3,910	
Expenditures	**32,127**		**16,200**		**15,927**	
Net income	**56,143**		**38,176**		**17,967**	

1. Book value

Trusteed pension funds are limited by legislation regarding the percentage of assets that may be invested outside Canada. These limits are measured at book value. In 2000, investment was $103.8 billion or 19.8% of total book-valued assets—up from 13.1% in 1994, the earliest year for which comparable data are available. In 1990, a limit of 20% was proposed, remaining in effect until 1999 when it was replaced by a limit of 25% for the year 2000. Since 2001, the limit has been 30%. Not all funds invest in foreign assets as a matter of investment philosophy. As well, smaller funds tend to do so less than larger funds. In 2000, smaller funds (those with assets of $10 million to $25 million) had only 9% of their book-valued assets invested in foreign assets, while funds with assets over $1 billion had nearly 20%.

Size of funds

Over the decade under review, the number of pension funds dropped but membership has increased. In 1990, there were 3,389 funds with 3.7 million members. By 2000, there were 3,193 funds with just over 4 million members. The reduction in the number of funds was concentrated in funds with assets of less than $5 million. Just as membership is concentrated in a few large funds, so are the assets. Table 3B-9 shows that in 1990 there were 31 funds with at least $1 billion in assets. By 2000, the number had increased to 85. These 85 represented 2.4% of the total number of funds, 66.4% of the members, and 76.1% of the assets.

Table 3B-8 Gross assets[1] invested in foreign securities by sector, 2000

Asset category	Total		Public sector		Private sector	
	$'000,000	%	$'000,000	%	$'000,000	%
	Book value					
Foreign:						
Stocks	48,995	47.2	30,948	46.7	18,047	48.0
Pooled vehicles	47,765	46.0	29,577	44.7	18,188	48.4
Bonds	6,421	6.2	5,211	7.9	1210	3.2
Short-term	615	0.6	489	0.7	126	0.3
Total	**103,796**	**100.0**	**66,225**	**100.0**	**37,571**	**100.0**
Gross assets	**525,358**		**329,391**		**195,966**	
% foreign	**19.8**		**20.1**		**19.2**	
	Market value					
Foreign						
Stocks	61,706	50.2	38,658	49.6	23,048	51.4
Pooled vehicles	53,752	43.8	33,326	42.7	20,426	45.5
Bonds	6,755	5.5	5,511	7.1	1244	2.8
Short-term	615	0.5	487	0.6	128	0.3
Total	**122,828**	**100.0**	**77,982**	**100.0**	**44,846**	**100.0**
Gross assets	**593,716**		**374,118**		**219,598**	
% foreign	**20.7**		**20.8**		**20.4**	

1. Excludes funds w ith gross assets, book value, of less than $10 million.

Type of plan

In defined contribution plans, pension benefits vary depending on the contributions accumulated and the return on the investment of these monies. In defined benefit plans, benefits are established by a formula specified in the plan text. A small number of plans employ a combination of formulae, or different formulae for different classes of employees.

The majority (73.7%) of funds in 2000 were defined benefit plans (Table 3B-10). These funds covered 88% of all members and 92.5% of total assets. Defined benefit plans predominate in both sectors, but defined contribution plans are more prevalent in the private sector (17.9% vs. 10.7%). Defined contribution plans tend to invest more in pooled funds, largely because these plans tend to be smaller than defined benefit plans in terms of both membership and assets, and thus may aim to minimize risk.

The proportion of funds for defined benefit/defined contribution plans did not change significantly throughout the 1990s.

Table 3B-9 Number of trusteed pension funds and of members, and market value of total gross assets, by asset-size group[1]

Asset-size group	1990		1992		1994		1996		1998		2000	
	Number of pension funds											
		%		%		%		%		%		%
< $100,000	707	20.9	794	23.4	519	16.1	702	19.7	579	16.8	240	7.5
100,000 - 999,999	996	29.3	865	25.4	862	26.7	904	25.4	863	25.0	889	27.8
1,000,000 - 4,999,999	664	19.6	638	18.8	637	19.8	618	17.3	598	17.3	599	18.7
5,000,000 - 24,999,999	497	14.7	523	15.4	570	17.7	581	16.3	598	17.3	584	18.2
25,000,000 - 99,999,999	292	8.6	313	9.2	334	10.4	388	10.9	416	12.1	448	14.0
$100,000,000 and over:												
100,000,000 - 499,999,999	163	4.8	183	5.4	201	6.2	243	6.8	254	7.4	283	8.8
500,000,000 - 999,999,999	39	1.2	40	1.2	49	1.5	60	1.7	67	1.9	65	2.0
1,000,000,000 and over	31	0.9	41	1.2	52	1.6	66	1.9	76	2.2	85	2.4
Sub-total	**233**	**6.9**	**264**	**7.8**	**302**	**9.3**	**369**	**10.4**	**397**	**11.5**	**433**	**13.2**
Total	**3,389**	**100.0**	**3,397**	**100.0**	**3,224**	**100.0**	**3,562**	**100.0**	**3,451**	**100.0**	**3,193**	**100.0**
	Number of participants ('000)											
		%		%		%		%		%		%
< $100,000	10	0.3	32	0.9	2	0.1	5	0.1	--	--	1.0	--
100,000 - 999,999	28	0.7	17	0.4	19	0.5	14	0.4	11	0.3	8	0.1
1,000,000 - 4,999,999	86	2.3	65	1.7	61	1.6	51	1.3	42	1.1	42	1.0
5,000,000 - 24,999,999	221	5.9	202	5.3	194	5.0	157	4.1	145	3.8	129	3.2
25,000,000 - 99,999,999	418	11.2	368	9.6	366	9.3	324	8.5	313	8.3	301	7.4
$100,000,000 and over												
100,000,000 - 499,999,999	705	18.9	718	18.8	678	17.3	545	14.2	504	13.4	536	13.3
500,000,000 - 999,999,999	500	13.4	441	11.5	392	10.0	432	11.3	391	10.4	327	8.1
1,000,000,000 and over	1,765	47.3	1,979	51.8	2,204	56.3	2,303	60.1	2,369	62.8	2,674	66.4
Sub-total	**2,970**	**79.6**	**3,138**	**82.1**	**3,274**	**83.6**	**3,280**	**85.6**	**3,264**	**86.5**	**3,537**	**87.8**
Total	**3,733**	**100.0**	**3,822**	**100.0**	**3,917**	**100.0**	**3,831**	**100.0**	**3,774**	**100.0**	**4,018**	**100.0**
	Total gross assets (market value) ($'000,000)											
		%		%		%		%		%		%
< $100,000	22	--	17	--	17	--	15	--	9	--	6	--
100,000 - 999,999	441	0.2	376	0.1	363	0.1	339	0.1	348	0.1	348	--
1,000,000 - 4,999,999	1629	0.8	1,558	0.6	1,571	0.5	1,526	0.4	1,524	0.3	1,516	0.2
5,000,000 - 24,999,999	6,177	3.0	6,408	2.5	6,924	2.2	7,066	1.7	7,332	1.4	7,171	1.1
25,000,000 - 99,999,999	14,942	7.3	16,105	6.4	17,046	5.5	19,435	4.6	21,243	4.1	22,841	3.8
$100,000,000 and over:												
100,000,000 - 499,999,999	37,450	18.4	41,761	16.5	44,428	14.3	54,075	12.9	55,988	10.9	63,383	10.5
500,000,000 - 999,999,999	27,829	13.6	27,656	11.0	32,732	10.5	41,928	10.0	47,404	9.2	47,437	7.9
1,000,000,000 and over	115,505	56.6	158,703	62.8	208,399	66.9	294,595	70.3	379,270	73.9	455,460	76.1
Sub-total	**180,784**	**88.6**	**228,120**	**90.3**	**285,559**	**91.7**	**390,598**	**93.2**	**482,662**	**94.1**	**566,280**	**94.7**
Total	**203,996**	**100.0**	**252,583**	**100.0**	**311,480**	**100.0**	**418,979**	**100.0**	**513,118**	**100.0**	**598,162**	**100.0**

1. Asset-size group is based on gross assets, market value.

Table 3B-10 Number, members and total gross assets of trusteed pension funds, by type of plan and by sector, 2000

Type of plan	Total		Public sector		Private sector	
	Number of funds					
		%		%		%
Defined benefit	2,354	73.7	218	80.7	2,136	73.0
Defined contribution	554	17.3	29	10.7	525	17.9
Composite and other	285	8.8	23	8.4	262	8.8
Total	**3,193**	**100.0**	**270**	**100.0**	**2,923**	**100.0**
	Number of members ('000)					
		%		%		%
Defined benefit	3,537	88.0	1,869	94.5	1,668	81.7
Defined contribution	196	4.8	63	3.1	133	6.5
Composite and other	285	6.9	44	2.1	241	11.7
Total	**4,018**	**100.0**	**1,976**	**100.0**	**2,042**	**100.0**
	Total gross assets (market value) ($'000,000)					
		%		%		%
Defined benefit	553,658	92.5	356,952	95.3	196,706	87.8
Defined contribution	15,378	2.5	6,172	1.6	9,207	4.1
Composite and other	29,125	4.8	11,205	2.9	17,919	8.0
Total	**598,162**	**100.0**	**374,330**	**100.0**	**223,832**	**100.0**

Chapter 3C: Other Programs

by Hubert Frenken

In addition to registered pension plans, a number of other retirement income programs sponsored by employers should be mentioned. Even though such programs have limited members, they may provide considerable retirement savings for some employees. Deferred profit-sharing plans (DPSPs) are part of the tax-assisted retirement savings system and must be registered with the Canada Customs and Revenue Agency (CCRA). Other programs, such as supplementary employee retirement plans (SERPs) and retirement compensation arrangements (RCAs) are specifically intended to supplement registered retirement savings. Still others, such as stock option plans and other profit-sharing arrangements, may provide savings for retirement in an informal way.

Other options for personal savings exist besides tax-assisted RRSPs. Home equity, non-registered investments, and general annuities may also generate considerable income in retirement. Some of these savings vehicles, both employer-sponsored and individual, are described below.

Deferred profit-sharing plans

Deferred profit-sharing plans (DPSP) are just one type of profit-sharing arrangement. Although not necessarily designed to provide retirement income, they serve this purpose to a large extent.

Profit sharing was developed in the 19th century to encourage employee loyalty and discourage trade union activity, while providing retirement income for workers.[1] The use of profit-sharing plans became more popular after 1961 when the concept of *deferred* profit-sharing plans was introduced in an amendment to the *Income Tax Act*. For the first time, employer contributions to such plans were exempted from taxation. At that time, no minimum employer contribution was required, but a maximum per participating employee was set at 20% of earnings up to $1,500, minus registered pension plan (RPP) contributions. Employee contributions were permitted but were not tax-deductible, and no limits on these contributions were established.

DPSPs are similar to RPPs in that they must be registered with CCRA and meet certain standards of administration and eligibility of investments. An employer wishing to set up a DPSP can submit a personalized plan to CCRA for approval or make use of specimen plans that are offered by trust companies and insurance companies and have been previously approved by CCRA. DPSPs have to be underwritten on a trusteed basis and, as with RPPs, the trustee has to be a resident of Canada and can be either a trust company or a group of at least three individuals.

DPSPs are different from RPPs in two respects. They are not subject to the detailed minimum standards imposed on RPPs by pension regulatory legislation, and they permit lump sum distributions upon retirement.

[1] The Conference Board of Canada, *Profit Sharing: Creative Capitalism at Work,* Executive bulletin No. 13, Compensation Research Centre, January 1981.

Separate accounts are maintained for each participant and, while earnings of the funds are not subject to taxation while in the plan, the benefits, except for the portion representing members' contributions, are taxed when received. Receipt of benefits under a DPSP cannot be deferred indefinitely. All amounts vested have to be distributed at retirement, termination of employment, death, or termination of the plan. At retirement, the participant has the option of accepting the full payment in one lump sum (with consequent immediate tax implications), receiving the proceeds in instalments over a number of years (maximum 10), rolling over the amount attributable to employer contributions to an RRSP, or converting the benefit to an annuity.

Changes in DPSP regulations

1966 The provisions of the *Income Tax Act* as they apply to registered DPSPs were amended. Some limitations were imposed on investments, the responsibilities of trustees were increased, and allocations to plan members had to vest irrevocably at the end of five years or less.

1977 Limits on employee contributions were set. The maximum amount that an employee could contribute on a voluntary basis was set at $2,500 per year; if contributions were required and substantially matched by employer contributions, the maximum allowed was $5,000. A minimum employer contribution was now required in any year that a profit was realized (1% of profits or 1% of earnings or $100 per member per year), and the maximum employer contribution was increased (Table 3C-1).

1978 The maximum employer contribution was increased. The amount contributed by the employee, either on a voluntary or compulsory basis, now had to be immediately allocated to, and vested in, the employee. The maximum employee contribution also increased. (Table 3C-1)

1980 DPSP members who were still employed could now withdraw all or a portion of their vested shares in the plan.

1982 Registration of DPSPs for the benefit of principal owners/shareholders and tax deduction of contributions to such DPSPs already in existence were no longer allowed.

1989 Individuals receiving periodic payments from a DPSP were permitted to transfer up to $6,000 of such payments to a spousal RRSP.

1991 Employee contributions were disallowed and employer contributions had to vest after two years or less. The limits imposed on employer contributions were set at 18% of earnings up to one-half the RPP dollar limit. These amounts were amended again in the 1992, 1995 and 1996 federal budgets (Table 3C-1).

Table 3C-1 Deduction limits for DPSPs

Taxation year	Employer		Employee
	$	% of earnings	$
1961-1976	1,500	20	none
1977	1,500	20	2,500 [1]
1978-1990	3,500	20	5,500
1991	6,250	18	0
1992	6,250	18	0
1993	6,750	18	0
1994	7,250	18	0
1995	7,750	18	0
1996-2002	6,750	18	0
2003	7,250	18	0
2004	7,750	18	0
2005	[2]	18	0

1. On a voluntary basis. If contributions were required and substantially matched by employer contributions, the deduction limit was $5,000.
2. Indexed to changes in average wages and salaries.

1995 The $6,000 transfer to a spousal RRSP was disallowed.

There is very little information on the number of DPSPs and participants. In 1995, there were only about 5,600 plans registered with CCRA and it was estimated that they covered approximately 350,000 workers.[2]

Supplementary Employee Retirement Plans

Because of limits on the amount of pension that can be earned under RPPs[3], some employers provide supplementary employee retirement plans (SERPs) for their senior employees. These plans may be pre-funded or just consist of the employer's promise of future income to supplement the benefits from an RPP.

There are no limits as to the amount of benefit a SERP can pay. Since they are outside the tax-assisted retirement system, employer premiums are treated as any other employment expense, and employee benefits are fully taxed in the year received. However, a lump sum payment can incur tax savings if claimed as a retiring allowance rollover to an RRSP.[4]

There are no data on how many employees receive benefits from SERPs. However, because of the long-standing freeze on the maximum amount of pension entitlement from RPPs and recognition of the need to reasonably replace pre-retirement earnings, more and more employers are providing this type of benefit to their high-income workers.[5]

Retirement compensation arrangements

CCRA has specific rules governing payments to retiring employees in excess of the maximum permitted RPP benefits. The Agency has termed any provisions generating such excess income as retirement compensation arrangements (RCAs).

RCAs can be established in two ways. First, for employees receiving special early retirement incentives through the waiver of penalties for not meeting the minimum RPP age or service requirements, the extra benefit may be paid from an RCA account. For example, an employer whose RPP requires age 60 for an unreduced pension may, at a time of downsizing, waive eligible for RPP benefit accrual. These accounts are in a sense pre-funded SERPs. They are not tax-sheltered reductions to workers retiring before age 60. The reduction that normally would have been applied against the worker's pension is still paid, but not from the RPP. Instead, it is paid through an RCA with CCRA approval.

Second, RCA accounts can be set up by an employer for workers whose incomes exceed the limit and, moreover, are subject to a 50% tax on both contributions and investment income.

From a beneficiary perspective, RCA payments are subject to the same tax provisions as RPP benefits. No data are available on the number of RCA accounts or the number of employees benefiting from these plans, but they have become more prevalent in recent years.[6]

Stock option plans

During much of the 1990s and prior to the recent severe downturn in capital markets, many employers, particularly those in non-traditional industries such as the high-tech sector, provided their workers with stock option opportunities. These options allowed employees to purchase company stock at lower than market value. Employers may have provided such a plan, along with a group RRSP, in lieu of sponsoring an RPP. They may also have considered this avenue as a means to encourage employee loyalty to the company.

From a tax perspective, exercising the options would generate taxable income. However, employers commonly permitted the deposit of such stock to the company's group RRSP, thereby making the benefits tax neutral. How many workers were offered stock options and how many utilized the opportunity is not known. Falling stock prices in 2001 and 2002 has likely considerably curtailed interest in this form of compensation.

Annuities

An annuity is not a savings arrangement *per se*, but a means of paying benefits from previously accumulated savings. Using RPP, RRSP and also DPSP savings to buy a monthly benefit from a life insurance company (the only institutions authorized to issue life annuities) has always been an option. However, most pensions from RPPs have traditionally been paid directly from the pension fund, and since the

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1 Sources: CCRA employer sponsored plan file and Frenken, H. "Tax-assistance for pensions and RRSPs." *Perspectives on Labour and Income*. Statistics Canada Catalogue 75-001, Winter 1995.

3 The maximum, $1,722.22 for each year of service, has not changed since 1977.

4 See the chapter on RRSPs.

5 Cohen, B. and Fitzgerald, B. *The Pension Puzzle*. John Wiley and Sons, 2002. p. 143.

6 See the above reference on the growth in SERPs and the Treasury Board of Canada report *Administration of the Public Service Superannuation Act for the Fiscal Year 2001* at www.tbs-sct.gc.ca/report/APSSA/2001/ on the prevalence of early retirement incentives in public sector RPPs.

1970s, RRIFs have been by far the preferred choice for individuals with matured RRSPs.[7]

In recent times, largely because of the uncertainty in capital markets, the use of annuities to pay benefits, particularly from RRSP savings, has attracted renewed interest. Moreover, a growing number of financial advisors and their clients have become interested in general annuities.[8] Any asset source can be used to purchase such annuities. Since this source is derived from after-tax income, only the interest portion of the monthly benefit is subject to income tax, unlike RRSP annuity payments, which are fully taxable.

Besides straight life annuities, which provide the beneficiary with income for his or her life only, couples can purchase joint and survivorship options. These will guarantee payments to both spouses while alive and to the surviving spouse when the other dies.

Another available option is the term-certain annuity, which guarantees that payments will be made to the estate or designated beneficiary for a minimum period of time. For example, an annuity with a guarantee period of 10 years assures that payments will be made for that period, even if the annuitant dies within the 10 years. If the annuitant continued to live beyond that period, payments would continue until death.

As with RPP benefits and RRIF payments, annuity income is eligible for the $1,000 pension income deduction on the annuitant's annual tax return.

The main advantage of this form of retirement income planning may lie in the fact that it transfers the risk from the individual to the insurance company, guaranteeing peace of mind and security. This feature may considerably outweigh the downside posed by levels of income that are conceivably lower than those generated directly by the savings.

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7 See the chapter on RRSPs.

8 Avari, S. "The Ingenuity of the Annuity." *Advisor's Edge*. RM Publishing, August 2002.

Chapter 4: Individual Programs - Registered Retirement Savings Plans

by Hubert Frenken

History, description and current conditions

Origin of program

Registered retirement savings plans (RRSPs) began in 1957. In that year, an amendment to the *Income Tax Act* permitted individuals to make deposits into personal savings plans for future retirement income and receive the tax advantages already enjoyed by members of employer-sponsored registered pension plans (RPPs). RPP participants were allowed to contribute to these tax-assisted savings vehicles as well, though at a lower maximum level.

Contribution ceilings before 1991

Over the years, the maximum annual RRSP contribution permitted under the *Income Tax Act* has been increased several times. As shown in the following schedule, these changes affected both the lower limit for participants in RPPs (and after 1980, members of deferred profit-sharing plans [DPSPs]), as well as the higher ceiling applicable to taxfilers who were not RPP (or DPSP) members.

Year	RPP non-participant	RPP participant
1957	the lesser of 10% of income or $2,500	the lesser of 10% of income or $1,500 minus the employee's contribution to the RPP
1965	the lesser of 20% of income or $2,500	no change
1972	the lesser of 20% of income or $4,000	the lesser of 20% of income or $2,500 minus the employee's contribution to the RPP
1976	the lesser of 20% of income or $5,500	the lesser of 20% of income or $3,500 minus the employee's contribution to the RPP
1981	Restrictions applicable to RPP members were extended to participants in DPSPs.	
1986	the lesser of 20% of income or $7,500	no change

Table 4-1. Deduction limits on contributions to registered retirement savings plans, 1991-2006

Taxation year	Deduction limit
	$
1991	11,500
1992-2003	12,500
1994	13,500
1995	14,500
1996-2003	13,500
2004	14,400
2005	15,500
2006	indexed

Source: Finance Canada, Budget Papers, March 1996

Deduction limits since 1991

Effective January 1, 1991, the tax treatment of RPPs, DPSPs and RRSPs was amended extensively. In order to equalize the tax assistance, new and comprehensive ceilings were set for annual savings in all three retirement programs. RPP/DPSP savings were limited to specific dollar amounts (DPSPs at one-half that of RPPs), while RRSP ceilings were either a dollar amount or 18% of earned income, whichever was lower.[1] The RRSP deduction limit still depended on the taxfiler's participation in an RPP or DPSP the previous year. For RPP/DPSP members, the RRSP deduction opportunity or "room" was to be reduced by a pension adjustment (PA), a calculated value of the annual pension credits earned by the member.[2]

The annual dollar limit was initially set at $11,500 (for RPPs in 1990 and for RRSPs in 1991)[3] and scheduled to increase each year by $1,000 until reaching $15,500, before being indexed. The original schedule was changed in the 1992, 1995 and 1996 budgets and is currently projected to reach $15,500 by 2005, after which it will be indexed to changes in average wages and salaries (Table 4.1).

Rollovers

In addition to adjustments in the standard contribution ceilings, changes in legislation over the years introduced other contribution possibilities. Taxfilers were permitted to transfer or roll over certain types of income to their RRSPs tax-free.These opportunities were changed at various times as follows:

1966 Certain benefits from RPPs and DPSPs and retiring allowances[4] were allowed to be transferred to an individual's own RRSP. The amounts eligible were augmented in later years to include payments from Old Age Security, and the Canada and Quebec Pension Plan.

1990 Most opportunities to roll over income from pension sources into personal RRSPs were eliminated. Still eligible were retiring allowances, up to certain limits: $2,000 for each year or part year of employment with the employer providing the allowance, plus an extra $1,500 for each year or part year of that employment before 1989, if no benefits were accrued under an RPP or DPSP. In addition, members of RPPs and DPSPs could roll over eligible savings to RRSPs.[5]

1996 The retiring allowance rollover opportunity for post-1995 employment was eliminated.

Spousal RRSPs

Besides the opportunity to contribute to their own RRSPs, taxfilers have been permitted to contribute to an RRSP for their spouses, while claiming the tax deduction on their own tax returns.[6] These spousal

1 Only earned income (largely employment earnings) qualifies for RRSPs. The 18% and dollar amounts were selected for specific reasons. For further explanation of the new ceilings and a description of the pension adjustment calculations, see Frenken (1995b).

2 See the sections on RRSP room and pension adjustment.

3 RRSPs have a one-year time lag. Current RRSP room is always dependent on the previous year's earned income, and the PA used to reduce each year's RRSP room is based on the previous year's RPP/DPSP participation.

4 Retiring allowances (or severance pay) are lump-sum payments received by employees on retirement or termination of employment. They may include settlements for unused sick leave, payments in recognition of long service, or compensations for loss of employment.

5 See the section in this chapter on locked-in RRSPs and the chapter "Other Programs."

6 The definition of "spouse" for RRSP purposes was changed in 1993 to include common-law partners of the opposite sex, and in 2001 to include those of the same sex.

RRSPs allow the spouse with the higher income to receive the tax assistance, while the savings go to the other spouse. This opportunity is especially advantageous if the spouse with the lower income has less retirement savings and will be subject to lower income tax in retirement. The following spousal RRSP opportunities have been available:

1974 Spousal RRSPs first permitted. Spousal contributions (plus any deposits made to a personal RRSP) were limited by the taxfiler's standard contribution limit.

1989 Taxfilers were permitted to roll over to spousal RRSPs up to $6,000 annually in periodic payments from RPPs and DPSPs, in addition to the maximum annual contribution amount.

1995 The $6,000 annual spousal rollover opportunity was terminated.

RRSP room

RRSP room is the amount a taxfiler is able to claim as a tax deduction in any one year. Before 1991, taxfilers who did not use their RRSP room forfeited this chance to reduce their tax liability. Since 1991, unused room may be carried forward to future years. The carry-forward period was originally limited to seven years. This restriction was lifted in 1994. Therefore, each year's total room is the accumulated unused room from previous years plus any new room created that year.

Also starting in 1991, taxfilers were permitted an $8,000 lifetime overcontribution—that is, they could carry an $8,000 contribution in addition to their available room. The overcontribution had to be used up as part of future eligible deductions before the RRSP matured—that is, before the end of the year in which the taxfiler turned 69. This amount was reduced to $2,000 in the 1995 budget. Taxfilers with contributions exceeding this margin may be penalized at the rate of 1% of the excess amount per month.

The Canada Customs and Revenue Agency (CCRA) informs taxfilers each year on their Notice of Assessment (the forms confirming or correcting the information on their tax returns) of the amount of RRSP room they have for the subsequent year. Those with room can contribute to a personal RRSP until age 69 and to a spousal RRSP until the spouse turns 69.

Pension adjustment

The pension adjustment is a calculated value of a taxfiler's savings in a registered pension plan or deferred profit-sharing plan. It reduces the amount of RRSP room in any one year. In addition, RRSP room is reduced by non-exempt past service pension adjustments (PSPAs). PSPAs can be incurred by either a retroactive improvement in the RPP benefit formula or the buying of pension credits by the RPP member for previous years' service. Any buyback or retroactive adjustments to the RPP for service before 1990 is exempt. Any such additions or improvements for service since then incur a PSPA that is used to reduce RRSP room.

Whereas the calculation of a PSPA can be quite complex, the formula to calculate the PA is relatively simple, although it has changed over time. Initially the amount was nine times a calculated DPSP/RPP benefit accrual in the previous year less $1,000. The benefit accrual for a DPSP is the amount contributed by the employer on behalf of the member. For a defined contribution RPP, the PA is the total of employer and employee (if any) contributions. For a defined benefit RPP, it is based on the benefit formula and the member's service.

For example, someone with a salary of $30,000 in 1996 and an RPP benefit formula of 1.5% of earnings for each year of service would have had a benefit accrual that year of $450 (1.5% of $30,000). That amount would have translated into a PA of $3,050 (nine times $450 less $1,000). This is the amount by which the 1997 RRSP room would have been reduced.

The February 1997 federal budget changed the PA formula. Effective in 1997, it was nine times the benefit accrual less $600. Therefore, the RPP member in the example above with a salary of $30,000 in 1997 would have had a PA for that year of $3,450 (nine times $450 less $600), resulting in 1998 RRSP room $400 lower than that of the previous year.

The reason for this adjustment in the PA formula was the introduction of a pension adjustment reversal (PAR) in 1997. The PAR was introduced to compensate individuals who terminate membership in RPPs and DPSPs and transfer lump-sum values of their benefits to RRSPs. The sum of an individual's PA and consequent lost RRSP room is usually considerably greater than the transfer amount. The PAR is intended to restore at least part of such lost RRSP room. The change in the PA formula (reducing the $1,000 deduction to $600) and the introduction of the PAR were, in fact, a reinstatement of original proposals made in the late 1980s.

Group RRSPs

Under a group RRSP, a single trust or contract is

established for participating employees. Although an individual contract is registered for each participant, the contributions are pooled and invested accordingly. The advantages of a group RRSP over individual RRSPs is that a larger pool of funds may generate a higher rate of return on investments and the employer may underwrite the administrative expenses.

Unlike RPPs, group RRSPs are not subject to federal or provincial regulatory legislation.[7] The employer may, however, dictate certain terms of eligibility and conditions on withdrawal of funds by the participants.

From a tax perspective, only employees can contribute. In lieu of a salary increase, an employer may offer to contribute a percentage of salary or a flat dollar amount to the group RRSP for each employee, but this contribution must be treated as employment income and reported accordingly on participants' year-end T4 information slips. The employee will be able to claim the contribution as a tax deduction, thereby making the income tax neutral. Just as with individual RRSP contributions, the amount claimed is applied against the taxfiler's RRSP room.

No data exist on the number of group RRSPs nor the number of workers covered, although there is some evidence that a growing number of employers are setting up group RRSPs for their workers in lieu of sponsoring an RPP.[8]

Locked-in RRSPs

As described in the chapter on RPPs, federal and provincial regulatory pension legislation requires the locking-in of RPP accruals, usually after two years of participation in the plan. Many employees terminating RPP membership elect to transfer the locked-in pension savings to an RRSP. Under a locked-in RRSP, the financial institution holding or administering the funds must deny lump-sum withdrawals, but can permit conversion to an immediate pension or annuity any time. Locked-in RRSPs are also referred to as locked-in retirement accounts (LIRAs).

There are no data on the number of LIRAs nor the volume of RRSP assets involved, but the combination of stringent RPP locking-in provisions and a highly mobile labour force has no doubt affected many workers, resulting in considerable RRSP savings from this source.

In 1999, New Brunswick considered including group RRSPs under the province's pension legislation, but the change in legislation was never made.

See H. Frenken. "Pension fact or fiction?" *Perspectives on Labour and Income* (Statistics Canada Catalogue 75-001-XPE) 8, no. 2 (Summer 1996): 22-25.

Issuers and specimen plans

Someone wishing to make an RRSP contribution may choose from a wide selection of financial institutions and investment vehicles. Only certain financial institutions can issue RRSPs, and they must receive prior CCRA approval for specimen plans. They can apply for any number of specimen plans, must submit specific documentation for each application, and must register all RRSP contracts subsequently issued with the CCRA.

The authorized issuers of RRSPs are life insurance companies and fraternal societies, chartered banks, trust companies, credit unions, investment dealers and brokerage firms[9].

An individual may open up as many RRSPs with as many different institutions as desired. Each one must be registered with the CCRA, and aggregate contributions are subject to the individual's deduction limits.

Investments

Financial institutions offer a variety of investment vehicles. Banks, trust companies and credit unions offer guaranteed investment certificates and other deposit vehicles. Many also provide mutual fund investments as an alternative to fixed income securities. Life insurance companies offer deferred annuity deposits (similar to guaranteed investment certificates) and investments in a variety of segregated pooled funds (similar to mutual funds).

Some contributors may elect to self-direct their RRSPs, selecting an appropriate mixture of bonds, stocks, treasury bills, mutual funds and other investments. CCRA's regulations stipulate which investments are eligible for RRSPs and place limits on holdings of foreign securities. Prior to 1990, an RRSP account could hold no more than 10% in "foreign property." This limit has since been increased to 30%. The 30% limit is not specific to each RRSP account, but applies to the total deposits made with a financial institution. For example, a contributor may invest in different types of mutual funds, guaranteed investment certificates, and short-term deposits with a chartered bank. The 30% is applied to the total investments made with that bank.

Individuals with more than one RRSP can transfer funds from one RRSP to another as long as the CCRA

9 Although not specifically authorized to issue RRSPs, investment dealers and brokerage firms do so through agency agreements with authorized issuers such as trust companies.

investment requirements are maintained. Flexibility in transferring or cashing in investments is dependent on the type of security selected. Investment income is not taxed when earned. RRSPs, therefore, provide savings on taxes not only through deduction of contributions, but also through tax exemption of investment income.

Cash withdrawals

With the exception of amounts held in LIRAs, RRSP savings are accessible anytime—but not without cost. Whenever withdrawals are made, a portion must be withheld by the financial institution or fund administrator, and additional taxes may become due when the next tax return is filed.

Table 4-2. Current RRSP withholding taxes

Amount withdrawn	Proportion withheld[1]	
	Quebec	Other provinces / territories
	%	
Less than $5,001	23.0	10.0
$5,001 to $15,000	31.5	20.0
$15,001 or more	36.5	30.0

1. The Quebec rate is different, since, unlike the other provinces, whose taxes are collected by the CCRA, Quebec collects its own income tax.

For example, someone from outside Quebec withdrawing $4,000 from an RRSP would receive only $3,600. The remaining $400 would be sent by the administrator of the RRSP to the CCRA. Although a credit would be issued for the amount withheld, the individual would be taxed for the withdrawal at his or her marginal tax rate when filing the next tax return, possibly incurring additional taxes.

Taxes are not imposed on RRSP withdrawals if the funds are used as a down payment to purchase a home or to finance full-time training or education. Since 1992, first-time home buyers have been permitted under the RRSP Home Buyers' Plan (HBP) to withdraw up to $20,000 from their RRSPs without incurring the tax charges. Funds must be used to purchase or build a home within a specified period of time, and amounts withdrawn must be fully repaid to the individual's RRSP in equal annual installments within 15 years. Each year, the CCRA advises the participant of this requirement.[10]

Missed or insufficient payments are treated as cash withdrawals and taxed accordingly. For example, someone withdrawing $15,000 and not making the required $1,000 repayment in a specific year would have $1,000 of income added to his or her tax return that year by the CCRA. A missed or inadequate HBP payment not only incurs an immediate tax liability, but also is permanently lost as a future source of retirement income since defaults cannot be caught up in subsequent years.

In 1999, a similar program, the RRSP Lifelong Learning Plan (LLP), was introduced. Under this program, individuals are permitted to withdraw from their RRSPs up to $10,000 per year tax free to fund full-time education or training for themselves, spouses or common-law partners. Additional withdrawals can be made until January of the fourth year after the first withdrawal, to a maximum of $20,000. The student must enrol in a qualifying educational program of an acceptable educational institution and must complete the educational program or at least be enrolled at the end of March of the year after the LLP withdrawal.

LLP withdrawals must be repaid to the RRSP in equal, annual installments over a 10-year period, starting in the fifth year after the first LLP withdrawal. As with the Home Buyers' Plan, LLP participants are advised annually by the CCRA of their repayment requirements, and failure to make the mandatory payments results in the addition of the defaulted amounts to the taxfiler's income.[11]

Matured RRSPs

As with cash withdrawals, RRSP benefits are paid according to specific rules. Accumulated savings must be converted into annuity income or registered retirement income funds (RRIFs) before the end of the year in which the beneficiary reaches age 69. However, no restrictions on such conversions apply at earlier ages.

10 For more information, see *Home Buyers' Plan*, CCRA Guide RC 4135.

11 For more information, see *Lifelong Learning Plan*, CCRA Guide RC 4112.

An annuity is a monthly benefit purchased with the RRSP assets and requires their liquidation. The most common form of annuity purchased with RRSP funds is "a straight life annuity," which only life insurance companies are authorized to issue.

A RRIF does not require the RRSP assets to be sold off, but does require some liquidity in the assets to meet the payment schedule. Until recently, RRIFs were considerably less popular than annuities. Unlike annuities, RRIF benefits could not continue beyond the year the beneficiary turned 90. RRIFs now have much greater flexibility, provided that a specific minimum is withdrawn each year. Larger payments can be reduced over time and smaller initial payments can be increased. Cash withdrawals are possible and the residue can be converted into an annuity at any time.

The minimum payment requirements are a percentage of the remaining assets, and this percentage gradually increases with age until it reaches 20% at age 94.

Second, as mentioned in the section on locked-in RRSPs, regulatory RPP legislation has resulted in significant RRSP savings that cannot be cashed in. Initially, the funds were locked in until retirement age, at which time they could only be used to purchase a life annuity. During the 1990s, changes in federal and provincial regulations relaxed the former rigid conditions with the creation of locked-in retirement accounts (LIRAs). Participants can convert their LIRAs to life income funds (LIFs) at a certain age, which in most jurisdictions is 10 years before the normal retirement age specified in the RPP. LIFs are similar to RRIFs with some additional limitations that vary across the country.[13]

Data commentary/analysis

Contributors and contributions

From 1991, when the new legislation governing RPPs, DPSPs and RRSPs came into effect, to the end of the decade, the number of persons reporting RRSP contributions on their tax returns increased by one-third. Moreover, total contributions grew by 90% over this time. The percentage of taxfilers who contributed increased from 24% to 29%, and the average contribution grew from $3,200 to $4,540 (Table 4-4). Only in 1998 did the number of contributors and the average contribution decrease from the previous year's figures. The 1998 situation may have been caused by a number of issues. First, many individuals may have questioned the merits of saving. Interest rates were at

Table 4-3. Minimum payments as a percentage of registered retirement income fund assets, age 69 to 94[1]

Age	%	Age	%	Age	%
69	4.76	78	8.33	87	11.33
70	5.00	79	8.53	84	11.96
71	7.38	80	8.75	85	12.71
72	7.48	81	8.99	90	13.62
73	7.59	82	9.27	91	14.73
74	7.71	83	9.58	92	16.12
75	7.85	84	9.93	93	17.92
76	7.99	84	10.33	94+	20.00
77	8.15	86	10.79		

1. The rates before age 69 are lower, gradually increasing from 2.5% at age 50 to 4.55% at age 68.

Source: CCRA Information Circular 78-18 *Registered Retirement Income Funds*

Some RRSP benefit payments are subject to restrictions. First, RRSPs and RRIFs that contain spousal contributions are subject to certain "attribution" rules. It must be demonstrated that any benefits received do not include contributions made by a spouse during the current and two previous calendar years. Such contributions are attributed to the contributor, not the beneficiary. For example, in the case of withdrawals made in 2002 by a beneficiary who received spousal contributions as recent as January 2000, these payments might have to be reported on the contributor's tax return, not the beneficiary's.[12]

For further information, consult the CCRA form T2205, *Calculating Amounts from a Spousal RRSP or RRIF to Include in Income.*

[13] In Alberta a provision called locked-in retirement funds (LRIFs) were also created. For a detailed description of LIRAs, LIFs and LRIFs and how they differ in each province, see B. Cohen and B. Fitzgerald, *The Pension Puzzle*, (John Wiley and Sons, 2002): 160-162.

Table 4-4. Registered retirement savings plan contributors and contributions 1991 to 1999[1]

Year	Contributors		Contributions[2]	
	No. '000	% of all tax filers	Total $'000,000	Average $
1991	4,699	24	15,033	3,200
1992	4,892	26	16,439	3,360
1993	5,198	26	19,519	3,760
1994	5,439	27	21,351	3,930
1995	5,828	28	23,909	4,100
1996	6,140	29	27,108	4,420
1997	6,317	29	28,408	4,500
1998	6,289	29	27,223	4,330
1999	6,306	29	28,604	4,540

1. Includes transfers (rollovers)
2. Current dollars

Source: Pension adjustment/registered retirement savings plan file (PA/RRSP), Canada Customs and Revenue Agency

a low point in 1997 and many mutual funds declined in value in 1998. Second, the end of the economic uncertainty prevalent during most of the 1990s may have changed individuals' priorities from saving to spending on needed consumer products.

Contributions during the 1990s took two forms: "normal" contributions (those subject to the standard deduction limits) and rollovers of eligible income. Nearly all contributors to RRSPs during the nine-year period were normal contributors. Similarly, the bulk of contributions were normal, increasing from 82% of the total in 1991 to 89% in 1999 (Table 4-5). The decline in the percentage represented by rollovers was due primarily to changes in legislation that came into effect in 1995 and 1996 (see the previous sections on rollovers and spousal RRSPs). Unless further legislative changes are implemented, in due course all RRSP contributions will be subject to the standard deduction limits.

Both the participation rate and average contributions varied for different age groups. In 1999, nearly 60% of normal contributors were between the ages of 35 and 54, and the highest per capita contributions were made by those at or close to retirement—those aged 55 to 64. Only 15% of eligible taxfilers under 25 contributed,

Table 4-5. Registered retirement savings plan contributors and contributions by type of contribution, 1991 to 1999

Year	Normal[1]		Rollovers of Retiring Allowances		Rollovers of Pension Payments[2]	
	'000	$'000,000	'000	$'000,000	'000	$'000,000
1991	4,558	12,284	88	2,028	148	721
1992	4,739	13,533	95	2,125	160	781
1993	5,039	15,815	107	2,782	168	849
1994	5,276	17,478	119	2,996	170	877
1995	5,768	20,381	130	3,528	...	...
1996	6,081	23,155	144	3,952	...	...
1997	6,256	24,570	146	3,837	...	...
1998	6,235	23,923	127	3,299	...	...
1999	6,259	25,576	107	3,028	...	...

1. Subject to the standard deduction limits
2. Periodic payment from RPPs and DPSPs to spousal RRSPs. These were disallowed after 1994.

Source: PA/RRSP file, Canada Customs and Revenue Agency

Table 4-6. Registered retirement savings plan contributors and contributions subject to the standard deduction limits by age groups, 1999

Age Group	Contributors			Contributions	
	No. '000	% of all taxfilers	% of eligible taxfilers[1]	Total $'000,000	Average $
Less than 25	323	11	15	555	1,720
25-34	1,378	35	38	4,740	3,440
35-44	1,927	39	42	8,367	4,340
45-54	1,678	43	46	7,551	4,500
55-64	812	32	38	3,747	4,610
65 and over	142	4	9	616	4,350
Total	**6,259**	**29**	**35**	**25,576**	**4,090**

1. Taxfilers with RRSP room

Source: PA/RRSP file, Canada Customs and Revenue Agency

and their average contribution was just 42% of the average for all contributors. Low income and priorities other than saving for retirement are likely the reasons for these low rates. Since most seniors (those aged 65 and over) are retired and the opportunity to contribute ceases at age 69, few contributed; however, those that did had contributions that averaged higher than those of almost all age groups (Table 4-6).

Not surprisingly, an individual's income largely determines both the likelihood of participating in RRSPs and the amount contributed. In 1999, just 4% of those eligible to contribute with incomes less than $10,000 claimed contributions on their tax returns, compared with 79% of those with incomes of $80,000 and over (Table 4-7).

Those with incomes of $80,000 and over also had the highest average contribution of $9,920. This group would more likely have incomes surplus to their requirements and be subject to higher tax rates than other groups, resulting in a greater incentive to maximize the tax reduction opportunity. It is assumed that relatively few of these individuals participated in RPPs, since RPP participants with such high incomes would likely have pension adjustments (PAs) precluding the availability of RRSP room.

Even though women still lag behind men in terms of RRSP participation, they did close the gap somewhat from 1991 to 1999, increasing from 42.4% of contributors to 44.3%. Similarly, their share of normal contributions increased from 34.2% to 35.7% (Table 4-8). The difference in RRSP savings between men and women

Table 4-7. Registered retirement savings plan contributors and contributions subject to the standard deduction limits by income groups, 1999

Income Groups	Contributors			Contributions	
	No. '000	% of all taxfilers	% of eligible taxfilers[1]	Total $'000,000	Average $
Less than $10,000	152	3	4	160	1,050
$10,000-$19,999	647	13	17	1,079	1,670
$20,000-$29,999	1,035	31	34	2,329	2,250
$30,000-$39,999	1,232	46	50	3,696	3,000
$40,000-$59,999	1,742	59	62	7,171	4,120
$60,000-$79,999	798	70	73	4,660	5,830
$80,000 and over	654	72	79	6,481	9,920
Total	**6,259**	**29**	**35**	**25,576**	**4,090**

1. Tax filers with RRSP room

Source: PA/RRSP file, Canada Customs and Revenue Agency

Table4-8. Registered retirement savings plan contributors and contributions subject to the standard deduction limits by sex, 1991 and 1999

Year and Sex	Contributors		Contributions	
	'000	%	$'000,000	%
1991				
Men	2,579	57.6	7,970	65.8
Women	1,899	42.4	4,142	34.2
Both Sexes	4,478	100.0	12,113	100.0
1999				
Men	3,488	55.7	16,447	64.3
Women	2,771	44.3	9,127	35.7
Both Sexes	6,259	100.0	25,575	100.0

Source: PA/RRSP file, Canada Customs and Revenue Agency

may not be as extensive as these data indicate. Spousal RRSP contributions, which nearly always benefit the wives,[14] cannot be identified from tax data since they are reported as a deduction by the contributor, not by the beneficiary.

Whereas 29% of all taxfilers made normal contributions to RRSPs in 1999, 23% reported a pension adjustment on their tax returns, reflecting registered pension plan or deferred profit-sharing plan savings in the previous year. It seems surprising that 13% of taxfilers had both a PA and RRSP contributions. In other words, 44% of RRSP contributors already had pension savings through the other programs, and 56% of RPP/DPSP participants topped up their savings through these programs by contributing to RRSPs (Table 4-9). The average contribution of RRSP contributors without a PA was $4,530, compared with just $3,520 for those with a PA. The discrepancy may to some extent be attributed to the fact that the PA reduces RRSP room (see the previous section on pension adjustment).

Unused Room

As shown in Table 4-9, in 1999, 6 out of 10 taxfilers did not participate in RPPs or DPSPs and did not contribute to RRSPs. This situation prevailed throughout the 1990s. Employers are not obligated to offer RPPs or DPSPs to their workers, and employees who had RRSP room were either not in a financial position to contribute or were unwilling to do so. Even among individuals who did contribute, many used up only part of their room by contributing sporadically or by using only a portion of each year's allotment. As a consequence, the total amount of unused RRSP room grew over the nine years to over $250 billion, and the number of persons with some claim on it was more than 17.8 million (Table 4-10).

Table 4-9. Taxfilers with registered retirement savings plan contributions and/or pension adjustments[1], 1999

	Taxfilers		RRSP	PA
	'000	%	$'000,000	$'000,000
Neither RRSP nor PA	13,240	61	...	...
RRSP only	3,505	16	15,890	...
PA only	2,183	10	...	7,946
Both RRSP and PA	2,754	13	9,686	12,553
All tax filers	21,681	100	25,576	20,499

1. 1999 PA is a calculated value of 1998 RPP/DPSP savings.

Source: PA/RRSP file, Canada Customs and Revenue Agency

14 See H. Frenken, "Women and RRSPs." *Perspectives on Labour and Income* (Statistics Canada Catalogue no. 75-001-XPE) 3 no. 4 (Winter 1991): 8-13.

The proportion of taxfilers contributing has remained at about 35% in recent years, but the share of total room being used has continued to drop and stood at 10% in 1999. The bulk of the unused room is held by low-income taxfilers, who may never be in a financial position to contribute.

on investments). Despite this limitation, it is evident that RRSP investments are a significant share of the total assets held under the various portions of Canada's retirement income system. At the end of 2000, RRSP assets (excluding self-directed holdings) were almost $285 billion. From 1991 to 2000, these assets increased 120% and now represent 25% of all reserves held under

Table 4-10. Taxfilers with registered retirement savings plan room 1991 to 1999 (in current dollars)

Year	Taxfilers	% contributing	RRSP room[1]	% used
	'000		$'000,000	
1991	14,241	32	42,794	29
1992	15,132	31	72,936	19
1993	15,676	32	102,283	15
1994	16,146	33	129,858	13
1995	16,656	35	158,410	13
1996	17,010	36	183,730	13
1997	16,788	36	200,468	12
1998	17,877	35	234,224	10
1999	17,831	35	254,312	10

1. Includes unused room from previous years and new room. The 1991 relatively low level of room and high percentage used was due to the lack of unused room from previous years.

Source: PA/RRSP file, Canada Customs and Revenue Agency

However, the dollar deduction limit, which has been frozen since 1996 at $13,500 (see the section on deduction limits since 1991), may have affected both RRSP participation and aggregate contributions. An analysis of 1995 tax data found that more than 1.6 million RRSP contributors (29% of the year's total) used at least some of their previously accumulated room. In other words, in that year, contribution amounts exceeded the new room created.[15] It must be noted that most of these contributors were limited by the 18% of earned income ceiling, and that many had a sizeable PA that restricted their new room. However, excluded from the 1.6 million contributors were those who had maximized their RRSP opportunities in previous years and carried no unused room into 1995. In addition, it was $14,500 in 1995, $1,000 more than the amount available each year since.

RRSP assets

Table 1-3 in the introduction to this report provides information based on a number of sources on the assets held for RRSPs. Excluded from these data are amounts held in self-directed RRSP accounts (see the section

the different programs. At the end of 2000, almost half the assets were invested in mutual funds, 23% were held by the chartered banks, and 8% were deposited with credit unions.

RRSP payments

Not all RRSP deposits are held until retirement. Taxfilers have always used these savings for purposes other than retirement income. They may have drawn on their RRSPs at a time of job loss or to tide them over between jobs. They may have used them to meet unexpected financial obligations or to pay for expenditures such as children's education. An analysis of those under 65 who made such withdrawals in 1991 revealed that nearly 20% had no employment income or employment insurance benefits that year.[16] It would appear that they not only had lost their jobs, but also had exhausted their employment insurance benefits.

During the 1990s, taxfilers under 65 cashed in one dollar for every five contributed. In 1999, 1,146,000 individuals under 65 withdrew more than $5.9 billion. Whereas the average contribution that year was $4,540,

[15] See H. Frenken, "Tapping unused RRSP room." *Perspectives on Labour and Income* (Statistics Canada Catalogue 75-001-XPE) 10, no. 1 (Spring 1998): 34-37.

[16] See H. Frenken, and L. Standish, "RRSP Withdrawals." *Perspectives on Labour and Income* (Statistics Canada Catalogue 75-001-XPE) 6, no. 1 (Spring 1994): 37-40.

Table 4-11. Taxfilers under age 65 with registered retirement savings plan cas withdrawals[1], 1991 to 1999

Year	Taxfilers	Cash withdrawls	Average
	'000	$'000,000	$
1991	604	3,182	5,270
1992	635	3,403	5,360
1993	712	3,828	5,370
1994	778	4,262	5,480
1995	912	4,751	5,210
1996	988	5,184	5,350
1997	1,062	5,501	5,180
1998	1,130	5,766	5,100
1999	1,146	5,867	5,120

1. Excludes withdrawals under the Home Buyers' and Life Long Learning Plans.

Sources: Small Area and Administrative Data Division, Statistics Canada, 1991 and 1992; PA/RRSP file, Canada Customs and Revenue Agency, 1993 to 1999

the average withdrawal was $5,120. It must be remembered that these amounts excluded withdrawals made under the Home Buyers' Plan and the Lifelong Learning Plan.

Nearly 36% of 1999 withdrawals by persons under 65 were made by those aged 55 to 64. The average amount withdrawn by this group was $8,120, higher than that for any other age group (Table 4-12). These individuals may have left their jobs, either voluntarily or involuntarily, and were drawing on their savings before becoming eligible for benefits from the Canada and Quebec Pension Plan, Old Age Security, or even RPPs.

Nearly 400,000 taxfilers 65 and over reported more than $2.3 billion in RRSP income in 1999. While part of this income may have been cash withdrawals, it can be safely assumed that most of the income came from annuities purchased with RRSP savings. RRSPs have to be converted to either an annuity or a registered retirement income fund (RRIF) by age 69, but RRIF income cannot be identified from tax data. RRIF payments are included with RPP benefits on the tax form under "Other pension and superannuation." Since for many years most RRSP holders have preferred RRIFs over annuities, the nearly 400,000 beneficiaries and $2.3 billion in benefits represent only part of all recipients and payments.

Table 4-12. Taxfilers with registered retirement savings plan income[1] by age groups, 1999

Age Group	Taxfilers	RRSP income	Average
	'000	$'000,000	$
Less than 25	36	48	1,350
25-34	246	582	2,370
35-44	340	1,416	4,170
45-54	267	1,733	6,490
55-64	257	2,087	8,120
65 and over	390	2,323	5,960
Total	1,535	8,190	5,330

1. Excludes RRIF income. For those under 65, virtually all of this amount is cash withdrawals; for those over 65, it is both cash withdrawals and RRSP annuity income.

Source: PA/RRSP file, Canada Customs and Revenue Agency

As mentioned earlier, the RRSP withdrawals presented in tables 4-11 and 4-12 exclude amounts withdrawn under the Home Buyers' Plan and the Lifelong Learning Plan. From early 1992, when the HBP came into effect, until the end of 1999, nearly 900,000 RRSP holders cashed in all or part of their RRSP savings to at least partially finance the purchase or building of a home. In total they withdrew almost $7.5 billion. The response to this program when first implemented was very extensive as is shown by the number of participants and the amounts withdrawn in the first two years. Individuals can make this type of withdrawal only once, and this may explain the reason for the decrease in the participation rate in the last nine months of 1994. Since then, however, the rate has continued to increase gradually (Table 4-13).

Using RRSP savings for this purpose may well be the only way for many individuals and couples to acquire a home, but it does have significant impact on future retirement income. As described in the section on cash withdrawals, HBP withdrawals require repayments to beneficiaries' RRSPs over time. An earlier analysis of HBP participants found that one-third of those obligated to make instalment repayments in 1995 either failed to do so or paid insufficiently.[17] Even if the repayments are made on schedule, the loss of investment income to the RRSP, compounded over time, can be quite significant.

Unlike the HBP, which has been in effect since 1992, the LLP was initiated in 1999. According to information extracted from the 1999 PA/RRSP file, 9,300 individuals withdrew more than $51 million that year from their RRSPs to finance full-time education or training under the LLP. Nearly 38% of these persons were aged 25 to 34, and another 30% were between 35 and 44. Since the plan only came into effect in 1999, it is difficult to determine whether it will generate as many participants as the HBP. As with the HBP, there are consequences for the amount of retirement income available in the future, even if the participant meets the mandatory repayment schedule.

Table 4-13. Taxfilers with registered retirement savings plan withdrawals under the home buyers' plan, 1992 to 1999

Time Periods	Taxfilers	RRSP withdrawls
	'000	$'000,000
Feb. 26, 1992 to Mar. 1, 1993	159	1,536
Mar. 2, 1993 to Mar. 1, 1994	102	1,011
Mar. 2 to Dec. 31, 1994	56	455
Jan. 1 to Dec. 31, 1995	79	718
Jan. 1 to Dec. 31, 1996	118	1,187
Jan. 1 to Dec. 31, 1997	134	1,395
Jan. 1 to Dec. 31, 1998	122	1,230
Jan. 1 to Dec. 31, 1999	131	1,330
Total	891	7,488

Sources: Canada Customs and Revenue Agency, 1992 to 1995;
PA/RRSP file, 1996 to 1999.

[17] See H. Frenken, "The RRSP Home Buyers' Plan." *Perspectives on Labour and Income* (Statistics Canada Catalogue 75-001-XPE) 10, no. 2 (Summer 1998): 38-41.

Chapter 5: How much have Canadians saved for retirement?

by Thomas Dufour

As noted in earlier chapters, Canada's public pension system (Old Age Security, Guaranteed Income Supplement, and the Canada and Quebec Pension Plans) are designed to provide Canadians with a minimum income at retirement. However, for many working families and individuals, the income provided by the public plans may not be sufficient to provide them with a standard of living similar to the one they had before retirement. Participation in retirement savings programs such as registered pension plans (RPPs) and registered retirement savings plans (RRSPs), as well as other savings and investments will allow many families to avoid a disruption in their current lifestyle.

While Statistics Canada sources have provided insight into current RPP membership as well as the number of contributors and contributions to RRSPs, little was known until recently about how much families and individuals had accumulated in these plans. An important breakthrough came with the 1999 Survey of Financial Security (SFS). This survey collected information that for the first time allowed the value of registered pension plan benefits to be estimated.[1] This information, together with other asset information from the SFS, presents the most comprehensive picture to date of how much Canadians hold in programs specifically targeted to providing income at retirement.

Private pension assets

As mentioned earlier, saving through RRSPs or belonging to an employer-sponsored pension plan are not the only means of generating income at retirement. Furthermore, saving strategies and even the amount of income needed at retirement are likely as varied as the number of families or individuals in Canada. This chapter will focus strictly on private pension assets, which include:

a) the value of 'earned' registered (or employer) pension plan (RPP) benefits. These benefits have been estimated for:

- RPP members in 1999;
- persons who previously belonged to an RPP and either left the money in the plan or transferred it to a new plan;
- persons receiving RPP benefits.

[1] Estimating the value of employer pension plans is a complex exercise. The estimation process is described in a report entitled *Survey of Financial Security: Methodology for estimating the value of pension plan benefits*. It is available free of charge on the Statistics Canada Web site (www.statcan.ca).

b) registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs);

c) other pension savings held in vehicles such as annuities and deferred profit-sharing plans.

These assets are termed *private* pension assets to emphasize that they do not include the value of income individuals may receive from government programs such as the Old Age Security/Guaranteed Income Supplement (OAS/GIS) program, and the Canada and Quebec Pension Plans (C/QPP).

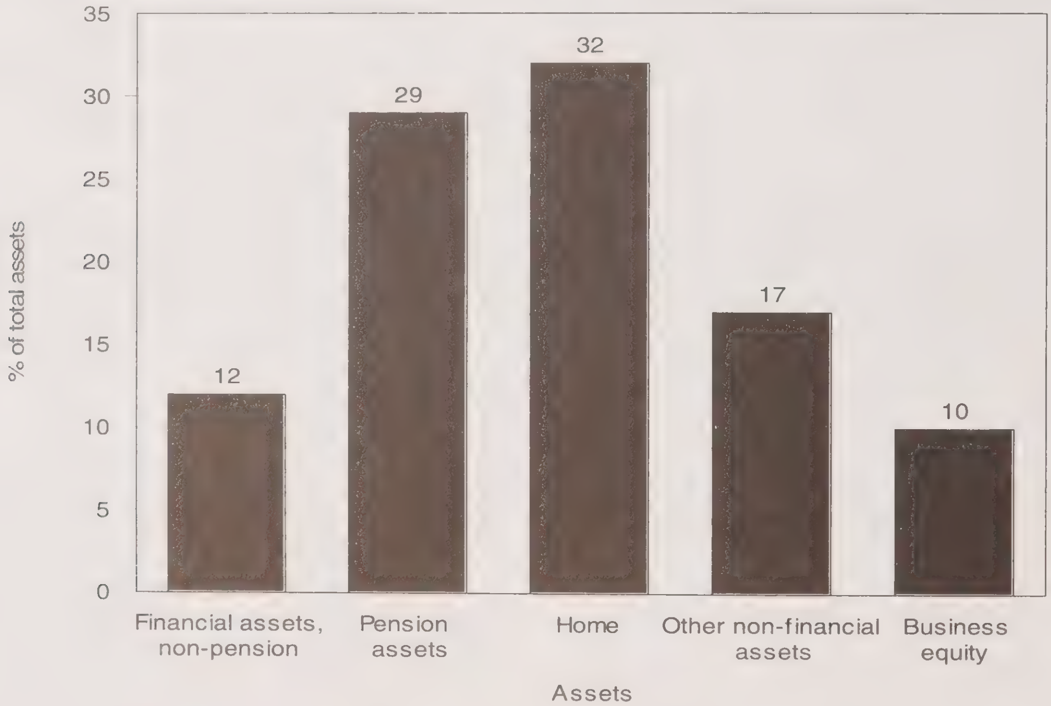
For analytical purposes, private pension assets are presented here only at the family unit level, that is, for economic families[2] and unattached individuals.[3] As with much of the asset and debt information from the SFS, RRSP/RRIF assets were collected for the family as a whole.

Private pension assets are one of the most important assets held by Canadian family units

Given that private pension assets are accumulated over decades, are often accompanied by tax incentives, and cannot usually be drawn until retirement, it is not surprising that they are a major component of the assets of Canadian families. In 1999, they accounted for close to 30% of the value of all assets. However, despite their size and importance, they are still a close second to the most valuable asset: the home.

In 1999, the total value of private pension assets was just over $1 trillion. This money will be essential in providing a large part of the income of seniors in years to come. However, it also plays a very important role in current financial markets, constituting one of the largest pools of investment capital in the country.

Chart 5-1. Private pensions are a major asset for most Canadians



The value of benefits to be paid from RPPs was well over half of the total amount in private pension savings: $604 billion. This is considerably more than the amount that has been saved in RRSPs and RRIFs($408 billion). Close to 60% of family units had RRSPs or RRIFs; the median[4] value was $20,000.

Families of two or more are referred to as "economic families." An economic family is defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption. In 1999, economic families accounted for approximately 68% of all family units.

"Unattached individuals" are defined as persons living alone or with others to whom they are unrelated, such as roommates or lodgers. Unattached individuals represent the other 32% of family units.

4 This analysis focuses on median value rather than the average value. The median is determined by ranking all family units with the asset from highest to lowest. The median value will be that held by the family unit in the middle of the range.

Table 5-1. Distribution of assets, aggregate and median value

Assets	Family units		Net worth		
	Number with asset	% with the asset	Aggregate $'000,000	% dist.	Median $
Total	12,215,629	100.0	3,503,210	100.0	165,518
Financial assets, non-pension	11,023,311	90.2	430,587	12.3	4,824
Deposits, non-pension	10,740,621	87.9	160,783	4.6	2,670
Mutual/investment funds, non-pension	1,733,414	14.2	80,059	2.3	13,000
Stocks, non-pension	1,235,982	10.1	92,383	2.6	8,700
Bonds, non-pension	1,762,709	14.4	25,472	0.7	2,500
Other financial assets, non-pension	1,643,029	13.5	71,890	2.1	4,600
Pension assets	8,681,130	71.1	1,025,027	29.3	50,000
RRSPs, LIRAs, RRIFs	7,299,835	59.8	408,113	11.6	20,000
RPPs, termination basis	5,774,390	47.3	604,209	17.2	49,304
Other pension assets	469,193	3.8	12,704	0.4	8,000
Non-financial assets	12,215,629	100.0	1,692,997	48.3	103,000
Home	7,374,946	60.4	1,103,740	31.5	125,000
Other real estate	2,010,699	16.5	235,251	6.7	65,000
Vehicles	9,430,781	77.2	125,703	3.6	9,000
Other non-financial assets	12,215,629	100.0	228,303	6.5	10,000
Business equity	2,278,777	18.7	354,600	10.1	10,000

Although fewer family units had RPP assets (47%), the median value was much larger ($49,300). Differences in participation rates between the two programs and accumulated assets will be examined later in this chapter.

In 1999, the median value of private pension assets held by family units was $50,000. However, as with many assets, the value is affected by a number of things, most notably age, income and occupation. The

Chart 5-2. While more people hold assets in RRSPs/RRIFs, median values favour those with RPP assets

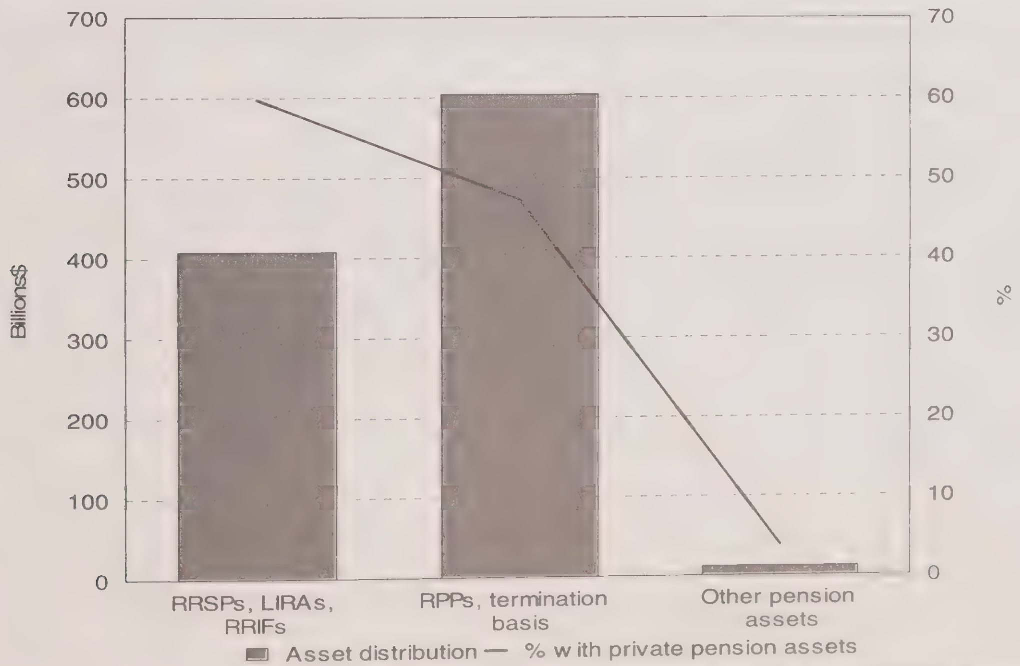
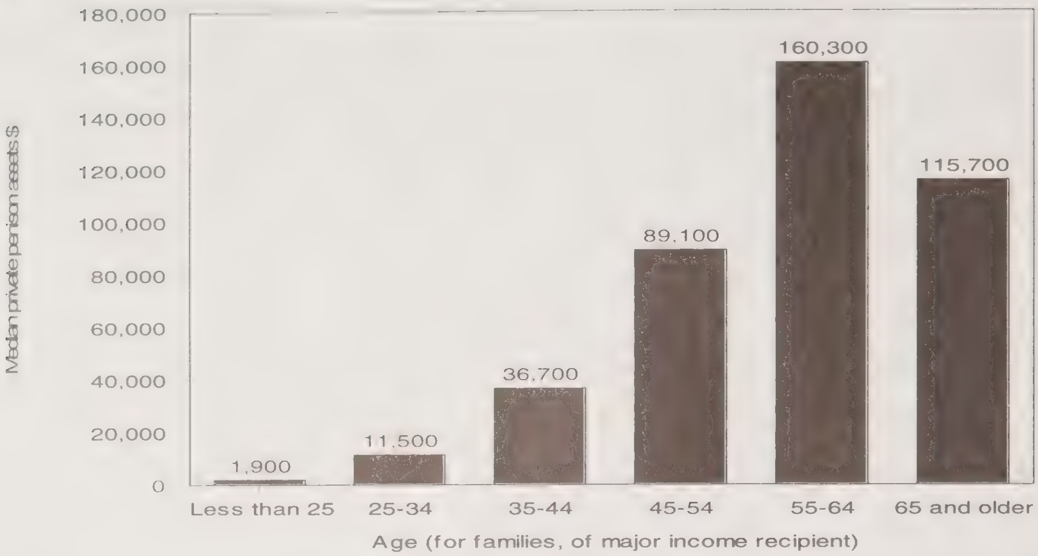


Chart 5-3. **Median private pension assets were greatest for those 55 to 64**



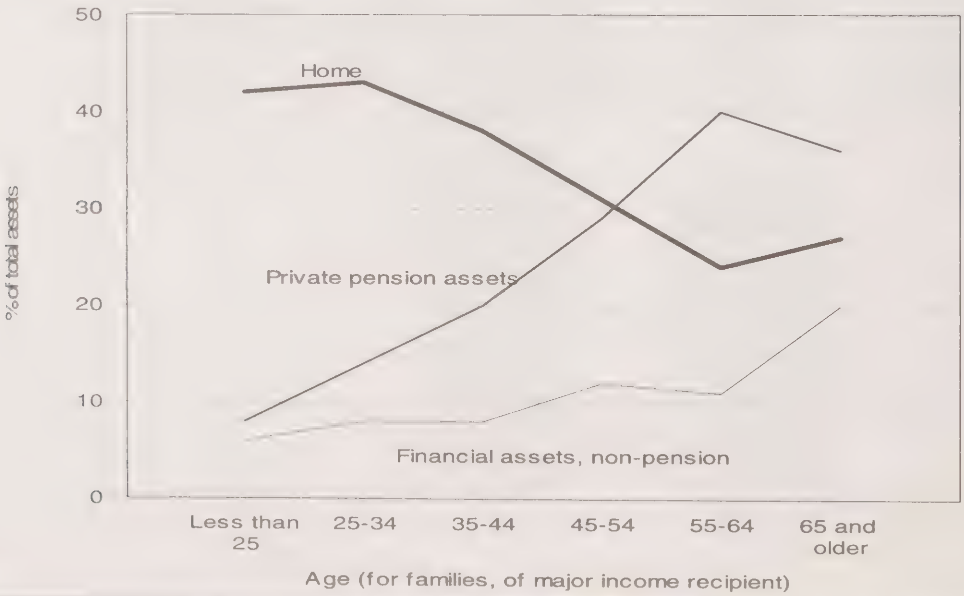
following section looks at the influence of these factors on private pension savings.

Families in pre-retirement or early retirement years have the largest private pension assets

Private pension assets of family units increased significantly with the age of the major income recipient, peaking at between 55 and 64 years of age. These family units, who would be approaching retirement or have just recently retired, had median pension assets of $160,300. It is not surprising that these families led the way in terms of pension holdings. Not only does the value of registered pension plan benefits increase with the number of years of service, but also these people have had a longer period in which to accumulate RRSP assets.

Senior family units (those with a major income recipient 65 and older) also had significant private pension assets, second only to those with a major income recipient aged 55 to 64. Median pension assets for senior family units was $115,700. Most of these families were retired and would already have been drawing on these assets, reducing the amount from a pre-retirement peak.

Chart 5-4. **Private pension assets make up the largest percentage of assets for those aged 55 to 64**



As the age of the major income recipient increased, private pension assets made up a much larger proportion of total assets. For family units with a major income recipient aged 55 to 64, pension assets were by far the most significant component of total assets (40%). On the other hand, pension assets represented only about 20% of the assets of family units with a major income recipient between 35 and 44; for these families the home was the most valuable asset (38% of total assets). Financial assets held outside of private pension plans were a more important asset for older age groups; for family units with a major income recipient 65 and older, such assets accounted for 20% of the total. Financial assets are important for this age group since they generate income.

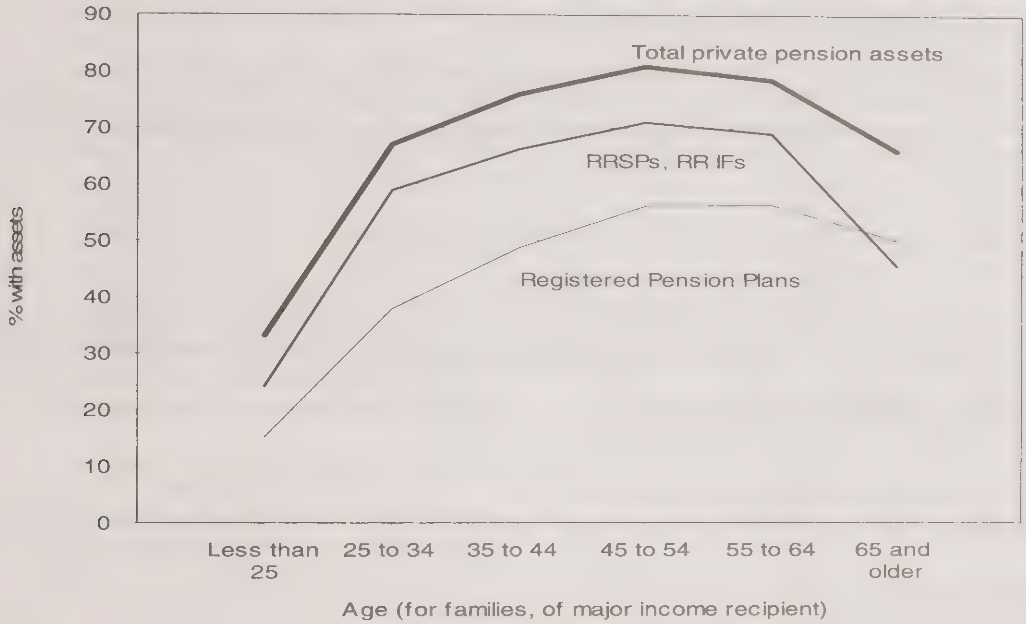
Chart 5-5 shows that over 75% of family units in the age groups from 35 to 64 had some form of private pension assets. The percentage of those with RRSPs or RRIFs exceeded the percentage with registered pension plan assets, in large part because the latter are available only to those who work for an employer that offers such a plan. RRSPs, on the other hand, are available to everyone with employment earnings who is able to contribute.

There is a significant drop in the proportion of pension assets held by family units with a major income recipient 65 and older. Because it was not until the early 1990s that RPP membership peaked and RRSPs became more popular, older family units are less likely to have participated in these programs.

Because RPPs and RRSPs/RRIFs are available to employees and those with employment income, it is not surprising that only a few family units with a major income recipient less than 25 had these assets. Many of these families include people who may not yet have entered the workforce.

Despite the fact that in most age groups RRSP assets were larger than RPP assets, the median value of RPP benefits was greater for all age groups over 35. One of the reasons is that RPPs require regular contributions to be made to the plan (by the employer and usually by the employee), while contributions to RRSPs are voluntary and can vary significantly from year to year. The difference was most significant for family units with a major income recipient aged 55 to 64. For this age group, the median value of RPP benefits was more than three times the median value of RRSPs and RRIFs ($151,947 compared with $50,000). The difference was much lower for younger families.

Chart 5-5. Over three-quarters of those aged 35 to 64 have private pension savings



Families with higher incomes also have more substantial private pension assets

As a family's income increases, so do its private pension assets. This is a reflection of two factors: a family's ability to save through RRSPs, and the fact that contributions to RPPs are generally made in proportion to an employee's earnings. Almost all families

Table 5-2. Private pension assets by age of major income recipient

Age	Total number of family units	% with private pension assets	Median private pension assets	% with RRSPs[1]	Median RRSPs	% with RPPs[2]	Median RPPs
<25	724,300	33	1,850	24	2,225	15	672
25-34	2,387,990	67	11,485	59	8,000	38	6,822
35-44	3,017,053	76	36,661	66	17,000	49	28,036
45-54	2,395,209	81	89,100	71	30,000	56	77,918
55-64	1,459,323	79	160,323	69	50,000	56	151,947
65+	2,231,754	66	115,722	46	46,000	50	107,352
Total	**12,215,629**	**71**	**50,000**	**60**	**20,000**	**47**	**49,304**

1. Registered retirement savings plans.
2. Registered pension plans.

Table 5-3. Private pension assets by after-tax income

Income	Total number of family units	% with private pension assets	Median private pension assets	% with RRSPs[1]	Median RRSPs[1]	% with RPPs[2]	Median RPPs[2]
Less than $10,000	1,037,092	23	5,600	18	5,000	7	4,000
$10,000 to $19,999	2,170,599	39	20,000	26	10,000	21	29,800
$20,000 to $39,999	4,097,022	73	30,000	57	14,000	45	40,500
$40,000 or more	4,910,918	94	80,600	85	30,000	69	59,600
Total	**12,215,629**	71	**50,000**	60	**20,000**	47	**49,300**

1. Registered retirement savings plans.
2. Registered pension plans.

with after-tax family income of $40,000 or more had some pension assets.

Public-sector workers have the highest median private pension assets

Family units with a major income recipient employed in the public sector (with the government or in an education-related occupation) were not only the most likely to have private pension assets (91%), they also had the highest median pension value ($84,400). Almost all public-sector employers offer an employer pension plan to their employees, and most plans provide relatively generous benefits.

Family units with a major income recipient whose occupation was classified as "management" had relatively large private pension assets. This group also had the highest median RRSP/RRIF holdings ($35,000). This likely reflects the fact that they had the highest median after-tax family income[5] and were therefore in a better position to save.

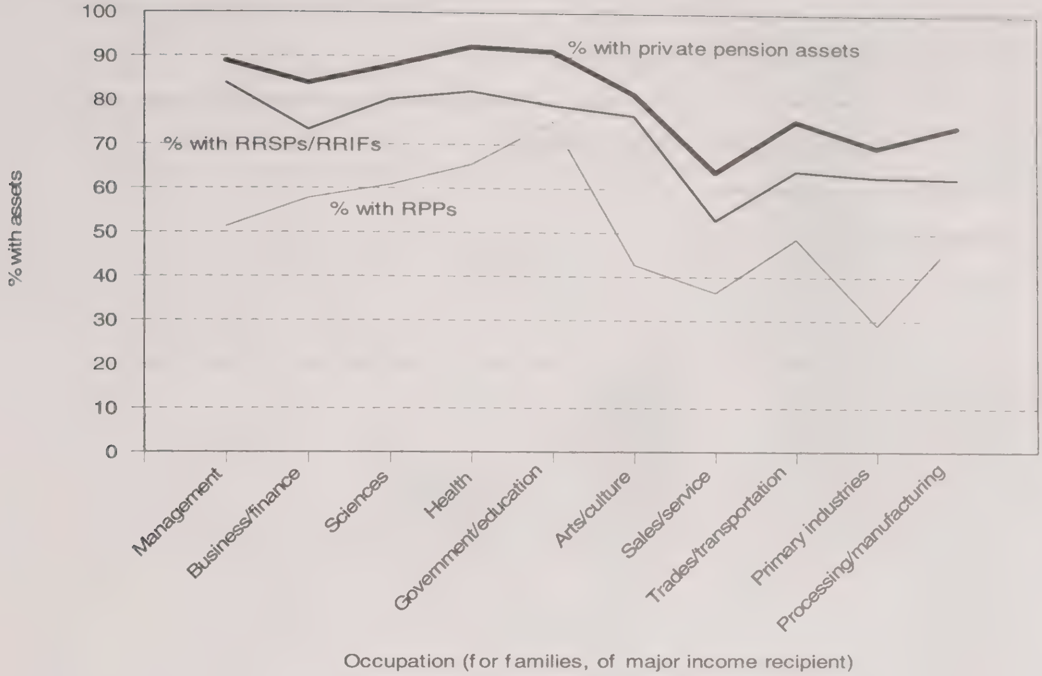
5 1999 Survey of Financial Security

Not only are employees in certain occupations in the private sector less likely to have pension assets, but also their assets have a lower median value. Some of these occupations employ a large proportion of the labour force. For example, 13% of the individuals or major income recipients worked in sales and service. A much lower proportion of family units with a major income recipient working in this occupation had pension assets (64%), and the median value ($20,000) was lower than for any other occupation. These family units also had the lowest median after-tax family income, giving them less opportunity to contribute to RRSPs.

Family units with both RPP and RRSP/RRIF assets have the highest private pension assets

Families with both registered pension plan assets and RRSP/RRIF assets had significantly higher pension assets than those holding only one or the other. The 36% of families with both types of assets had a median pension value of $102,900 compared with $33,300 for those with only RPP assets and $15,000 for those with only RRSP/RRIF assets. Interestingly, people who

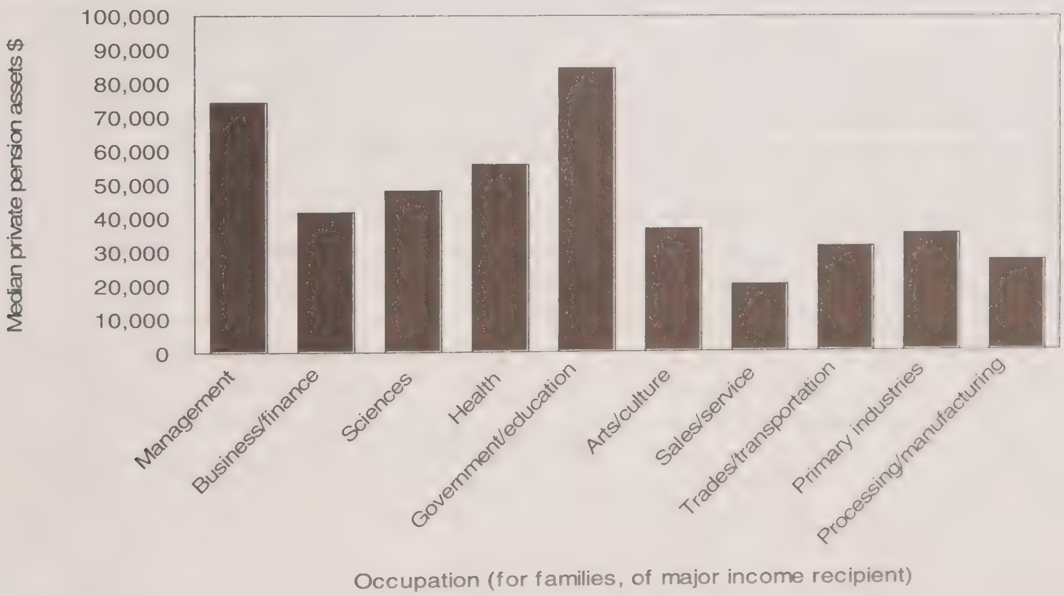
Chart 5-6. Those employed in government, education and health are the most likely to have private pension assets



belong to RPPs tend to contribute more to their RRSP than those who do not belong.[6] This is to a large extent related to income: half of the family units that had RPP and RRSP assets had after-tax family incomes of $50,000 or more, compared with 13% of family units with only RPP assets.

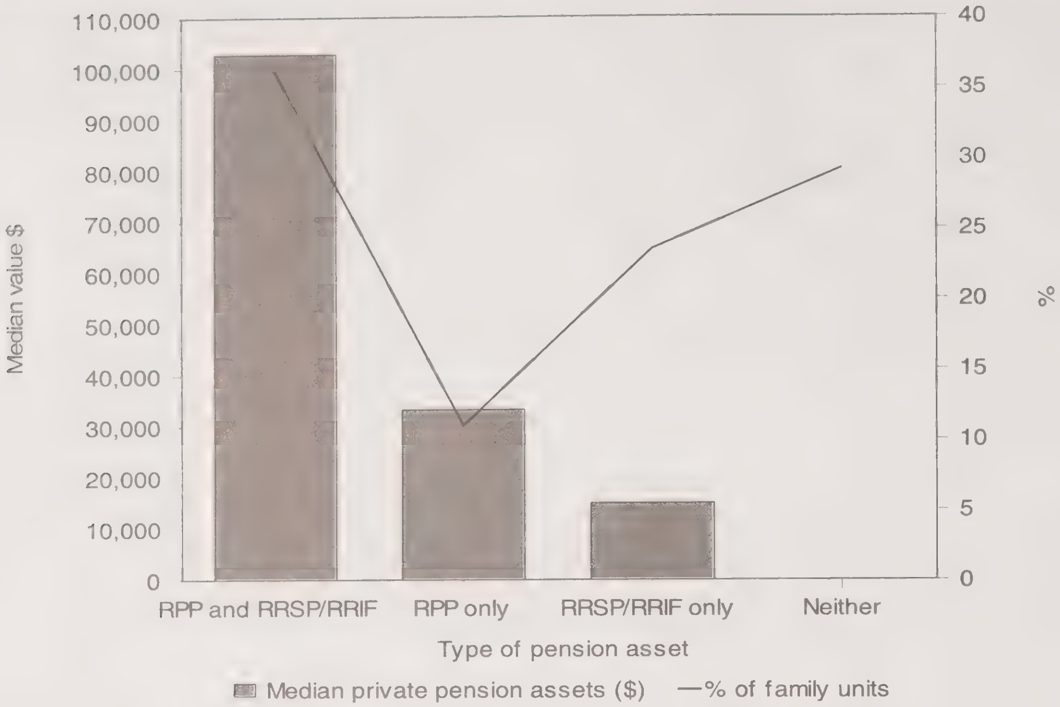
Significantly more family units had only RRSP assets than had only RPP assets (24% compared with

Chart 5-7. Those employed in government and education have the highest median private pension assets



6 See Statistics Canada. 1999. *Retirement Savings through RPPs and RRSPs*. Catalogue 74F0002, page 30.

Chart 5-8. Largest median private pension assets held by family units with both RPPs and RRSPs/RRIFs



11%). This is largely because RRSPs are more widely available. Any person with earned income (largely employment income) can contribute to an RRSP, while only those who work for an employer who provides a pension plan have RPP assets.

Family units holding only RPP assets had much higher median pension assets than those with only RRSP/RRIF assets. Again, this is because RPPs require regular contributions, while RRSPs do not.

Table 5-4. Value of private pension assets by age of major income recipient

Age	Family units	Value of private pension assets: 0	$1 to $19999	$20,000 to $99999	$100,000 to $199, 999	$200,000 plus
	Number of family units ('000)					
<25	724,300	484,276	223,857	x	x	x
25-34	2,387,990	789,489	1,042,109	455,853	x	x
35-44	3,017,053	727,539	801,356	1,019,787	330,826	138,346
45-54	2,395,209	457,922	366,719	658,673	431,397	480,865
55-64	1,459,323	313,749	143,746	291,558	207,262	503,008
65+	2,231,754	761,525	171,133	493,174	336,306	469,615
Total	12,215,629	3,534,500	2,750,277	2,928,477	1,380,564	1,624,560
	Percentage of family units					
<25	6.0	67.0	31.0	x	x	x
25-34	20.0	33.0	44.0	19.0	x	x
35-44	25.0	24.0	27.0	34.0	11.0	5.0
45-54	20.0	19.0	15.0	27.0	18.0	20.0
55-64	12.0	21.0	10.0	20.0	14.0	34.0
65+	18.0	34.0	8.0	22.0	15.0	21.0
Total	100.0	29.0	22.0	24.0	11.0	13.0

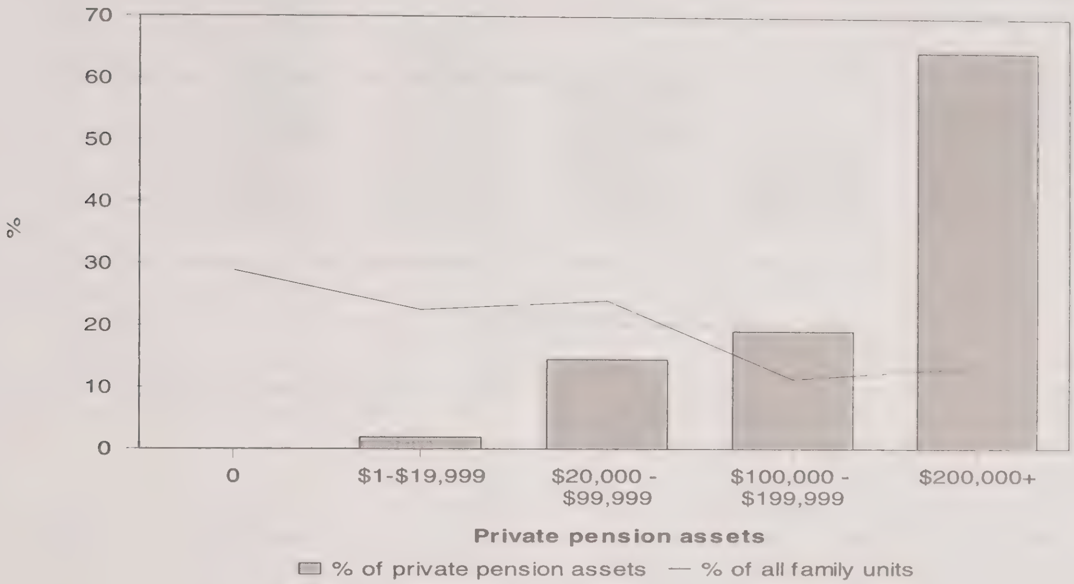
Distribution of private pension assets

Private pension assets were concentrated in a relatively small percentage of family units. The 25% of family units with $100,000 or more held just over 85% of the total. About half of these (13%) had at least $200,000. This group alone held close to two thirds (64%) of the total. At the other extreme, almost 29% of all family units did not have any private pension assets at all.

Who doesn't have private pension savings?

A study of retirement savings patterns would be incomplete without examining families that do not hold private pension assets. Charts 5-8 and 5-9 clearly illustrate a very important point: 3.5 million Canadian family units (29% of the total) had no private pension assets in 1999.[7] While Table 5-5 broadly sketches some of the characteristics of these family units, the following analysis focuses primarily on two key factors: age and income of the major income recipient.

Chart 5-9. About one-quarter of family units had 84% of private pension assets



Close to half (49%) of family units with a major income recipient between 55 and 64 had at least $100,000 in private pension assets. This age group also recorded the lowest percentage of family units with no pension assets (22%). A much smaller percentage (36%) of family units in which the major income recipient was 65 or older and therefore likely to be retired had pension assets of $100,000 or more. Many of these families would be drawing on their pension assets, reducing the amount held.

Notably, 34% of family units with a major income recipient 65 or older had no pension assets. These families may not necessarily have been less well off than in their pre-retirement years, since their income from government programs (OAS/GIS and C/QPP) may have been sufficient to maintain their former standard of living.

Families with no private pension assets tend to have low family employment income

The large majority of family units with no private pension assets had lower employment incomes. Seventy-nine percent of families with no pension savings and a major income recipient between 25 and 64 years of age[8] earned less than $30,000. Even though these families and individuals have little saved privately, the income from public plans such as OAS/GIS and C/QPP would in many cases replace a substantial portion of their pre-retirement earnings.

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7 From an RPP, RRSP or RRIF, or from other sources. The latter includes things such as deferred profit-sharing plans (DPSPs) and annuities, and constitute less than .5% of total private pension assets.

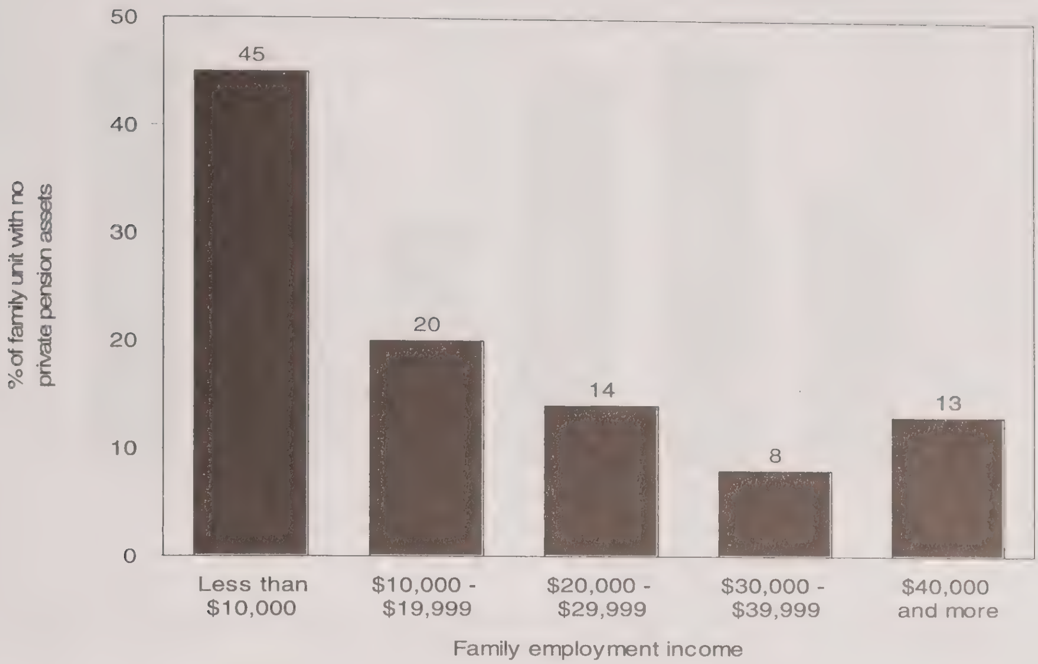
8 Those less than 25 and over 64 years of age have not been considered here since the focus is on employment income; many in these age groups have not yet entered the labour market or have retired.

Table 5-5. Characteristics of family units with no private pension assets

	Total family units	Family units with no private pension assets	% of those with no assets[1]	% of total family units[2]
	'000	'000		
All family units	12,216	3,535	100	29
Economic families	8,288	1,780	50	21
Unattached individuals	3,927	1,755	50	45
Age[3]				
Less than 25	724	484	14	67
25-34	2,388	789	22	33
35-44	3,017	728	21	24
45-54	2,395	458	13	19
55-64	1,459	314	9	21
65 and older	2,232	762	22	34
Family income from employment				
Less than $10,000	4,059	2,075	59	51
$10,000 - $19,999	1,156	568	16	49
$20,000 - $29,999	1,122	369	10	33
$30,000 - $39,999	1,062	197	6	19
$40,000 - $49,999	1,052	141	4	13
$50,000 - $74,999	1,857	126	4	7
$75,000+	1,908	58	2	3
Occupation[3]				
None	3,901	1,802	51	46
Management	992	110	3	11
Business, Finance, Administration	1,250	201	6	16
Sciences, Natural and Applied	747	90	3	12
Health	430	33	1	8
Social Sciences, Education, Government	642	56	2	9
Arts, Culture, Recreation	189	35	1	18
Sales and Service	1,607	580	16	36
Trades, Transportation and Equipment Operators	1,425	348	10	24
Primary Industry	276	84	2	30
Processing, Manufacturing and Utilities	757	194	5	26
Education[3]				
Less than high school	3,291	1,486	42	45
High school graduation	2,858	883	25	31
Non-university certificate	3,458	801	23	23
University certificate/bachelor's degree	1,773	283	8	16
Master's or certificate above Bachelor's	648	61	2	9
Degree in medicine, dentistry, etc.	79	13	0	16
Doctorate	110	8	0	7
Province				
Newfoundland and Labrador	199	85	2	43
Prince Edward Island	54	20	1	37
Nova Scotia	376	118	3	31
New Brunswick	300	115	3	38
Quebec	3,115	999	28	32
Ontario	4,480	1,131	32	25
Manitoba	446	119	3	27
Saskatchewan	402	107	3	27
Alberta	1,157	326	9	28
British Columbia	1,686	515	15	31

1. This percentage was calculated by dividing the number of family units in each category by the total number of family units with no private pension assets.
2. This percentage was calculated by dividing the number of family units with no private pension assets by the total number of family units with that characteristic.
3. For families, of major income recipient.

Chart 5-10. Most family units aged 25 to 64 with no private pension assets have earnings of less than $30,000



Those with no pension assets tend to be younger

Most of those with no private pension assets were relatively young, placing them further from retirement with still a number of years to accumulate assets. More than half (57%) of families with no private pension assets had a major income recipient younger than 45.[9]

Twenty-two percent of family units with no private pension savings had a major income recipient over 65; these people or couples would be dependent on income from government-sponsored programs (OAS/GIS and C/QPP). Of all family units 65 and older, 34% had no private pension savings; this percentage, however, was twice as high for women (48%) as for men (24%).

Age and income need to be considered together

To get a better picture of the implications of a family unit having no private pension assets, it is necessary to consider both age and employment income. Those with higher incomes and no private pension assets are not likely to be at risk of being unable to replace their earnings after they retire if they are younger and still have many years to save. Similarly, older people/families with no private pension savings and lower incomes may be able to replace most or all of their earnings with income from government-sponsored programs (OAS/GIS and CPP/QPP). However, there are close to 160,000 family units between the ages of 45 and 64 with employment income of $30,000 and over with no private pension assets. Unless they are able, or have used other methods, to save for their retirement, they face a substantial drop in income when they retire.

Eastern provinces and people with less than a university education are less likely to have private pension assets

Those with no private pension assets are likely to have lower incomes and are therefore likely to have characteristics associated with lower-income groups. For example, the provinces with the lowest median after-tax family incomes also had the largest percentage of family units with no pension assets: Newfoundland (43%), New Brunswick (38%), and Prince Edward Island (37%). Ontario had the smallest proportion of such family units (25%), and also the highest median income. As well, 45% of those who had not graduated from high school had no private pension savings, compared with 14% of those with at least a university degree.

[9] The relatively low percentage of family units with a major income recipient under 25 and no private pension savings results from the major income recipient living with parents, many of whom have pension savings.

Chart 5-11. **The majority of family units with no private pension assets are under 45**

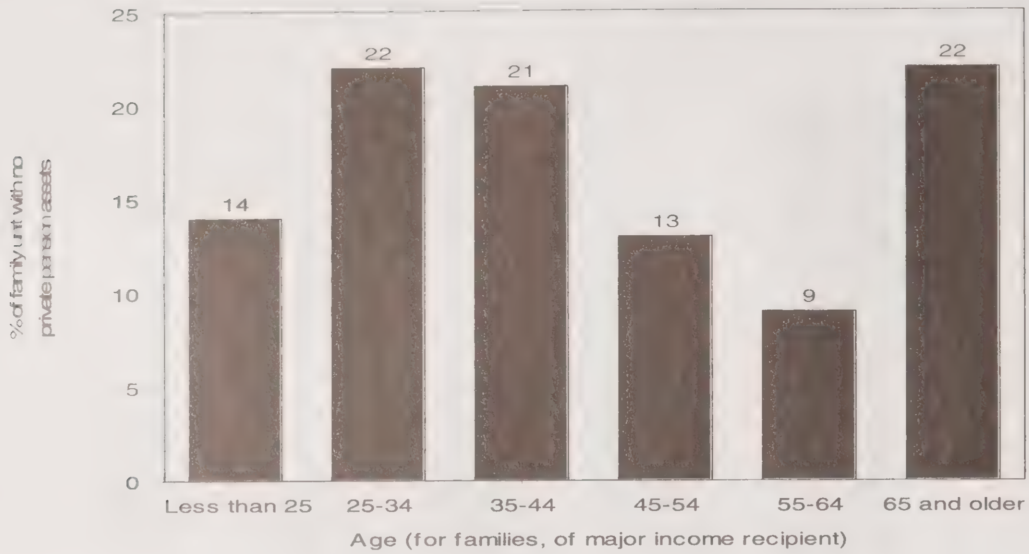
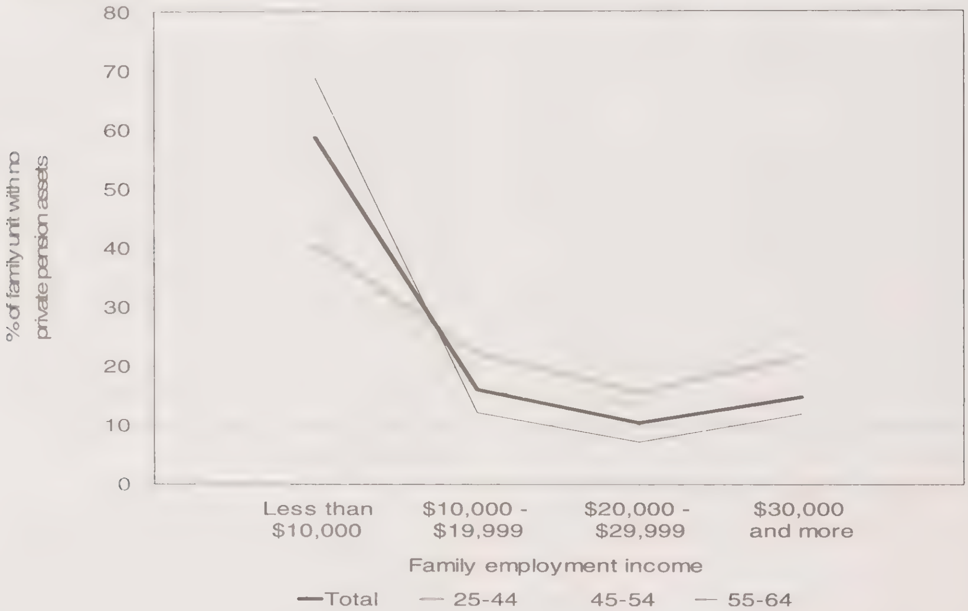


Chart 5-12. **Over 25% of family units with a major income recipient aged 45 to 54 and no private pension assets have employment income of $30,000 and more**



Conclusion

Given an aging population and a shrinking tax base, it is likely that the public pension system will face pressure in the years to come. With this in mind, understanding how Canadians are saving on their own for retirement becomes increasingly relevant. This chapter merely scratches the surface by presenting some of the pension-related data from the 1999 Survey of Financial Security. Certain questions remain, such as 'How much income does a family require at retirement?' and 'Have Canadians saved enough for retirement?'. The diversity of families in Canada does not allow thresholds or formulas to be quickly applied to supply the answers. However, the SFS does provide some of the pieces needed to study these questions. An attempt to do so can be found in the publication *The Assets and Debts of Canadians: Focus on Private Pension Savings* (Statistics Canada, catalogue no. 13-596-XIE).

APPENDIX A - Provincial income supplement programs for seniors

Province	Name of program	Year of implementation	Available to (All programs have a residency requirement)	Maximum benefit (for consistency, these are all provided as a MONTHLY rate). Actual benefit dependent on income in most cases.
Alberta	Alberta Seniors' Benefit Program	1994	Seniors (persons 65 and older) whose income is below $20,825 for a single person or $32,650 for a couple. Income excludes most government transfer payments except CPP retirement pensions.	*Eligible for OAS:* Single: (own) $170, (rent) $220 Married, each person: (own) $140, (rent) $165 *Not eligible for OAS:* Single: (own) $60, (rent) $110 Married, each person: (own) $30, (rent) $55
Alberta	Alberta Widows' Pension Program	1983	Widows aged 55 to 64.	$818
British Columbia	Guaranteed Available Income for Need	1976	Recipients of GIS or SPA.	Single: $49.30 Married, receiving GIS: $60.25 Married, receiving SPA: $49.83
Manitoba	55 PLUS Program - Manitoba Income Supplement	1986	Recipients of GIS or SPA aged 65 and older and persons 55-64 whose income falls within specified ranges.	Single: $37.20 Married, each person: $39.97
New Brunswick	Low-Income Seniors' Benefit	1998	Recipients of GIS or SPA aged 65 and older	$8.33 (maximum one person residing in same house) (Made as one annual tax-free payment of $100.)
Northwest Territories & Nunavut	Senior Citizen's Benefit	1978	Recipients of GIS or SPA.	Single: $135.00 Married, each person: $135.00
Nova Scotia	Special Social Assistance	December 1991 (restructured)	Recipients of GIS who are 65 and older if single or with spouse under 60. Assistance based on total income less certain expenses.	
Nova Scotia	Senior Citizens Assistance Program		Seniors wishing to remain in their own homes but whom are unable to afford repairs. Applicant or spouse must be 65 years of age or older. Total gross household income must not exceed $20,000.	A grant to a maximum of $3000 annually, based on income. It does not have to be repaid.
Ontario	Guaranteed Annual Income Supplement	1974	Recipients of SPA are not eligible.	Single: $83.00 Married, each person: $83.00
Saskatchewan	Saskatchewan Income Plan	1975	Recipients of GIS; recipients of SPA are not eligible.	Single person: $90.00 (also married person receiving GIS whose spouse does not get OAS/GIS) Married, each person: $72.50 (if each spouse in receipt of GIS)
Yukon	Income Supplement Program for Seniors	1982	Recipients of GIS or SPA.	Single: $100.00 Married, each person: $100.00

OAS: Old Age Security
GIS: Guaranteed Income Supplement
SPA: Spouse's Allowance, now called Allowance and Allowance for Survivors

APPENDIX B - Selected provisions of pension regulatory legislation

Pension regulatory legislation came into effect in the different provinces/jurisdictions on the dates given below. The effective dates of the revised (or substantially amended) legislation are also given. Amendments to certain sections of the legislation may have been made since that date.

Currently, under a reciprocal agreement between the pension regulatory authorities, these provisions apply to anyone working in that province/jurisdiction. So, for example, a plan having the plurality of members employed in Alberta would be registered with the pension authority in Alberta. A member of that plan who works in Saskatchewan would, however, have the provisions of the Saskatchewan legislation applied to him/her.

Jurisdiction	Original legislation	Effective date	Revised legislation	Effective date	Number of plans[1]
Newfoundland and Labrador	Pension Benefits Act	1985/01/01	Pension Benefits Act	1997/01/01	186
Prince Edward Island	Pension Benefits Act	Passed/ 1990/04/26. Not yet proclaimed			
Nova Scotia	Pension Benefits Act	1977/01/01	Pension Benefits Act	1988/01/01	480
New Brunswick	Pension Plan Registration Act	1973/09/01	Pension Benefits Act	1991/12/31	352
Quebec	Supplemental Pension Plans Act	1966/01/01	Supplemental Pension Plans Act	1990/01/01	2,123
Ontario	Pension Benefits Act	1965/01/01	Pension Benefits Act	1988/01/01	7,205
Manitoba	The Pension Benefits Act	1976/07/01	Pension Benefits Act	1984/01/01	515
Saskatchewan	Pension Benefits Act	1969/01/01	The Pension Benefits Act	1993/01/01	380
Alberta	Pension Benefits Act	1967/01/01	Employment Pension Plans Act	1987/01/01	1,165
British Columbia	Pension Benefits Standards Act	1993/01/01			1,695
Office of the Superintendent of Financial Institutions (OSFI)	Pension Benefits Standards Act	1967/10/01	Pension Benefits Standards Act	1987/01/01	1,136

1. Number of plans registered with pension authority at January 1, 2001.

Note The effective date given is the date when the majority of the provisions of the act came into effect. In some cases, amendments have been made since the date that affect the information on legislative provisions that follows.

The provisions as described apply to benefits currently being accrued. In some cases they also apply retroactively: in many they do not. The provisions are stated in summary form and do not reflect all details contained in the legislation. For complete information, the actual legislation should be consulted.

PROVISION	OSFI	Nfld. & Lab.	P.E.I	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Eligibility (part-time employees)[1]**:** (where two indicated both conditions must be met)											
- 2 years or 24 months continuous service[2]	x	x	x	x	x		x	x	x	x	x
- earned at least 35% of YMPE in each of 2 consecutive calendar years	x	x		x	x					x	x
- earned at least 35% of YMPE or worked 700 hours or more in a calendar year						x					
- earned at least 35% of YMPE or worked 700 hours or more in each of 2 consecutive calendar years			x				x		x		
- earned at least 25% of YMPE in each of 2 consecutive calendar years								x			
Compulsory membership: (with exceptions)								x			
Normal retirement date											
- plan must state age or date; no specific age prescribed	x							x	x	x	x
- at latest, one year after 65th birthday		x	x	x	x		x				
- at latest, first of month following 65th birthday						x					
Early retirement											
- 10 years prior to pensionable age or normal retirement date	x		x	x	x	x	x		x	x	
- age 55		x									x
- reasonable age and service requirements								x			
Vesting of benefits: (where two indicated, either could apply)											
- full and immediate						x					
- 2 years or 24 months membership in plan[2]	x	x		x			x	x		x	x
- 5 years service					x						
- 2 years service								x	x		
- 3 years of plan membership and 5 years of continuous service			x								

PROVISION	OSFI	Nfld. & Lab.	P.E.I	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Portability required: (options differ)	x	x	x	x	x	x	x	x	x	x	x
Death benefits, pre-retirement (vested members, spouse=s entitlement): (if two, greater of)											
- 100% of commuted value of vested benefits	x	x[3]				x	x	x	x[3]	x	
- 60% of commuted value of vested benefits			x	x	x						x
- accumulated contributions plus interest										x	x
- member=s contributions plus interest									x[3]		
Death benefits, post retirement (joint and survivor pension, reduced on death of member or spouse):											
- 60%	x	x	x	x	x	x	x		x	x	x
- 66 2/3%								x			

1. Eligibility for full-time employees is the same as for part-time for Quebec, Alberta and British Columbia. For the other jurisdictions, eligibility for full-time employees requires only 2 years or 24 months of continuous service.
2. One or the other specified in legislation.
3. Provisions differ somewhat if member was eligible for early retirement.

Appendix C - Selected provisions of RPP investment regulations

Introduction

All RPP legislation contains provisions governing the investment of registered pension plan assets. For the most part, these rules appear in regulations to the RPP legislation. Most RPPs use the regulations contained in the Pensions Benefits Standards Act (PBSA). Manitoba, Ontario and Saskatchewan have adopted the PBSA rules. Although Alberta, British Columbia, Newfoundland and Labrador, and Nova Scotia have their own regulations, they are modelled after those of the PBSA. New Brunswick and Quebec also have their own rules, but they differ in certain respects from those of the PBSA.

The 'prudent person' and 'prudent portfolio' rules

Federal and provincial pension benefits legislation stipulates that pension plan administrators must exercise the care, diligence and skill in investing that a person of ordinary prudence would exercise in dealing with the property of another person.

Commonly known as the 'prudent person' rule, the legislation also requires (except in the pensions benefits legislation of British Columbia) that investment managers and sponsors use all the relevant knowledge and skill they possess in their professional capacity when making decisions.

Reference is also made to the establishment of an investment policy that considers all factors that could affect the funding, solvency, and ability of the pension plan to meet its financial obligations. This rule, known as the 'prudent portfolio' rule, is taken a step further in Quebec and New Brunswick where pension regulations require diversification of the investment portfolio to reduce overall risk.

Self-dealing and lending rules

Federal and provincial pension benefits legislation generally prohibits related party transactions, including loans to employees. The PBSA allows minor exceptions if the transaction is required for the operation of the plan, is immaterial to the plan, or is done through a public exchange. Except for New Brunswick and Quebec, the remaining provinces have the same lending rules as those in the PBSA. Ontario legislation also requires that lending be specifically authorized in the written investment policy and secured by cash or marketable investments.

Plans under New Brunswick legislation are permitted to make loans, but not to persons occupying certain positions or functions. For example, loans may not be made to administrators of the plan, their agents, or persons responsible for investing plan funds. In Quebec, plan assets may be lent if the value of the loan is secured, but like in New Brunswick, loans may not be made to persons occupying certain positions or functions—for example, someone in an employee association representing plan members.

In all jurisdictions, the purpose of self-dealing and lending rules is to ensure that plan assets are used only to meet the financial obligations of the plan, and that if lending occurs, plan assets are not put at risk.

Investment rules

The PBSA, and the provincial pension benefits legislation based on the PBSA, restricts pension fund investments:

- to a maximum of 10% of book-valued plan assets in any one person or entity, with some exceptions—for example, investment in a fund that replicates the composition of an index traded at a public exchange;

- to a maximimum of 5% of book-valued plan assets in any one parcel of real estate or resource property, a maximum of 15% in resource properties as a whole, and 25% in real estate and resource properties combined;

- to a maximum of 30% of the voting shares of any single corporation, with some exceptions.

New Brunswick's legislation also restricts investment to 10% of plan assets in any one person or entity. However, specific exceptions are allowed (for example, some of the international development banks) and certain types of investments are permitted if the investments are fully secured (such as term deposits with a bank).That is, the deposits are fully insured by a government deposit insurance corporation. Like PBSA rules, 30% is the maximum investment allowed in the voting shares of any one entity.

The restrictions on investments in Quebec's legislation also differ somewhat from those of the PBSA. No more than 10% of plan assets may be invested in securities controlled by the *employer* (that is, the employer of the plan members), with some

qualifications. There are no specific restrictions on the proportion of plan assets that may be invested in any other entity. Quebec does have restrictions that limit investment to 30% of the voting shares of an entity, however.

Foreign property rule

The *Income Tax Act* limits investment in foreign property (foreign assets of any type). For most of the 1990s, the limit was 20% of plan assets, increasing to 25% in 2000, and 30% in 2001. There is an exception. Pension funds can increase their foreign property holdings over 30% of book value without incurring a penalty tax if for every $3 over the limit, $1 of a plan's assets is invested in "small business property."

APPENDIX C - Selected provisions of RPP investment regulations

Selected provisions of RPP investment regulations	PBSA	Nfld. & Lab.	N.S.	P.E.I.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Self-dealing and lending rules											
Related party transactions prohibited, with minor exceptions	x	x	x	x				x	x	x	x
Related party transactions permitted, with transactions prohibited to certain persons					x						
Related party transactions permitted, with specific written authorization, and financially secured							x				
Related party transactions permitted if financially secured, with transactions prohibited to certain persons						x					
Investment restrictions											
Maximum 10% of plan assets in any one person or entity	x	x	x	x			x	x	x	x	x
Maximum 10% of plan assets in any one person or entity, with specific exceptions named in legislation					x						
Maximum 10% of plan assets in securities controlled by the employer of plan members (with some qualifications)						x					
Maximum 5% of plan assets in any one parcel of real estate or resource property, a maximum of 15% in resource properties as a whole, and 25% in real estate and resource properties combined	x	x	x	x			x	x	x	x	x
Maximum of 30% of voting shares of any single corporation	x	x	x	x	x	x	x	x	x	x	x
Foreign property rule (*Income Tax Act*, applies to all jurisdictions)											
Maximum 30% of plan assets in "foreign property" (in 2001)	x	x	x	x	x	x	x	x	x	x	x

Definitions

Actuarial deficiency: Effects on actuarial costs of differences between the past events that were predicted by actuarial assumptions and the events that actually occurred.

Allowance (formerly called Spouse's Allowance): Federal allowance subject to an income test and available to persons 60 to 64 years who are married to (or the common-law partner of) a GIS recipient. Eligibility also depends on residency requirements. The Allowance is adjusted quarterly to reflect any growth in the CPI.

Allowance for survivors (formerly called Widow's/Widower's Allowance): Federal allowance subject to an income test and available to persons 60 to 64 years who are survivors of a GIS recipient. Eligibility also depends on residency requirements. The Allowance is adjusted quarterly to reflect any growth in the CPI.

Annuity: A regular benefit paid to a certain age, or for life. RPP, DPSP and RRSP proceeds can be converted into annuity income.

Assets (Chapter 5 only): Total value of all financial assets, non-financial assets and equity in business.

Average best earnings plan: A defined benefit RPP that defines the benefit formula using the highest average earnings for a specified number of years (eg. best five years).

Book value: Generally the purchase price of a security; this value may be periodically adjusted to reflect unrealized gains or losses in the particular security.

Canada/Quebec Pension Plans (C/QPP): These plans came into effect on January 1, 1966, and provide retirement and disability pensions as well as survivor benefits to the participants' spouses and dependent children. Participation is compulsory for most workers aged 18 and older, whether employees or self-employed.

Canada/Quebec Pension Plan (C/QPP) benefits: Retirement and disability pensions paid to participants as well as survivor benefits paid to the participants' spouses and dependent children.

Canadian Association of Pension Supervisory Authorities (CAPSA): An association composed of representatives from the pension regulatory authorities. CAPSA was established to promote uniformity in RPP legislation and to deal with issues regarding the administration of these Acts.

Career average earnings plan: A defined benefit RPP that bases the pension on average earnings over the entire period of membership in the plan. In some plans, earnings before a specific time are excluded; in others the earnings are indexed.

Cash withdrawals from RRSPs: Amounts withdrawn from RRSP accounts normally in cash, but could be in other forms such as shares. It excludes funds withdrawn under the HBP or LLP.

Composite plan: An RPP that possesses the characteristics of a defined benefit and a defined contribution plan.

Constant dollars: Dollars expressed in terms of the value of the dollar in a particular year. For example, all values might be expressed in 1999 dollars.

Consumer Price Index (CPI): An indicator of the changes in consumer prices experienced by a target population. The CPI measures price change by comparing, through time, the cost of a fixed basket of commodities.

Contributory plan: An RPP under which employees are required to contribute a portion of the cost of the benefits.

Couples: Couples include legally married, common-law and same-sex relationships.

Current dollars: Dollars expressed in terms of their price or cost at the time the measurement was taken.

Deducted RRSP contributions: The amount allowed as a deduction on line 208 of the income tax return. It is the sum of normal contributions to the taxfiler's own or spouse's RRSP that reduce contribution room, plus any transfers which may not reduce room.

Deferred profit sharing plan (DPSP): An employer-sponsored savings plan registered with Canada Customs and Revenue Agency. Contributions to these plans by the employer (employees cannot contribute) are based on profits. The amount accumulated in these plans can be paid out as a lump sum at retirement or termination of employment transferred to an RRSP. received in installments over a period not to exceed ten years or used to purchase an annuity.

Defined Benefit (DB) plan: An RPP that defines the benefits by a formula stipulated in the plan text. The employer contributions are not predetermined but are a function of the cost of providing the promised pension, taking into consideration employee contributions, if any. DB plans can be subdivided into unit benefit and flat benefit plans.

Defined contribution (DC) plan: An RPP that specifies the employee's (if the plan is contributory) and the employer's contributions. Members' benefits are provided from accumulated contributions plus the return on the investment of these monies.

Deposit administration contract: Contract with an insurance company which guarantees the capital of each deposit and a rate of interest for a term of years. The insurance company does not guarantee the adequacy of the funds to provide the benefits promised by the plan. The employer has limited investment control.

Earned income: The income that is used to determine the RRSP deduction limit. It includes such items as: employment income (less union, professional and like dues and expenses), net business and rental income, disability payments and alimony received. Alimony paid, current year business and rental losses are deducted from this amount. Most investment income (other than rents) is not considered earned income. In calculating the RRSP deduction limit, earned income from the previous year is used.

Economic family: An economic family is defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoption.

Business Equity: The estimated amount the respondent would receive if the business were sold, after deducting any outstanding debts to be paid.

Family units: Includes economic families of two or more and unattached individuals.

Final average earnings plan: A defined benefit RPP that defines the benefit formula using average earnings for a specified number of years immediately prior to retirement.

Final earnings plan: As used in the report, refers to final average and average best earnings plans.

Financial assets, non-pension (Chapter 5 only): Includes deposits in financial institutions and other invested assets that are not held in a pension program such as an RRSP or RRIF.

Flat benefit plan: A defined benefit RPP that provides a fixed benefit; not related to earnings. It is usually a dollar amount of monthly pension for each year of service with a single employer, or with participating employers under a multi-employer plan.

Government consolidated revenue arrangement: Funding arrangement used by some public sector RPPs. The contributions are paid into the consolidated revenues of the applicable government and are used for general government expenditures. Similarly, benefits are paid from the consolidated revenues.

Government of Canada annuity: Annuities sold by the federal government pursuant to the 1908 *Government Annuities Act*. Sale of these annuities was discontinued in 1975. Monies contributed were not invested; they were combined with other government revenues. Annuities are paid out of the consolidated revenues.

Gross assets (Chapter 3B only): Total assets before deducting debts and payables.

Group RRSPs: Arrangements established for employees or members of a professional or trade association. Individual RRSP contracts must be registered for each participant and separate accounts kept for each. Employer contributions are treated as employees' earned income for income tax purposes.

Guaranteed Income Supplement (GIS): Supplement to OAS that first became payable in 1967, subject to an income test. The GIS is non-taxable and adjusted quarterly to reflect any growth in the CPI.

HBP withdrawals: Amount withdrawn from an RRSP under the HBP rules.

Home Buyers Plan (HBP): Program introduced by the federal government in its 1992 budget allowing individuals to borrow up to $20,000 from their RRSPs to buy or build a home. Commencing in 1999, the HBP has been revised to eliminate the rule that the plan can only be used once in a taxpayer's lifetime. The plan can be used again by a taxpayer commencing in the year after all repayments from the previous withdrawal have been made. However, the Plan may only be used again if the taxpayer has not owned a home in the past five years. The five year rule will be waived in the case of a disabled person moving to a new home. As well, there are technical changes which benefit a surviving spouse when a HBP user dies. Yearly repayments are not tax-deductible. Amounts not repaid are considered to be RRSP income and are taxed; they are referred to as the HBP shortfall.

Indexing: A provision in a pension plan calling for periodic adjustments to benefits (usually after retirement) according to a formula based on a recognized index of price or wage levels, eg., the Consumer Price Index.

Individual trustee: A group of individuals responsible for holding and investing the assets of a pension fund, at least three of whom must reside in Canada and one of whom must be independent of the participating employer (i.e. someone who is neither connected with nor an employee of the employer).

Labour Force: Civilian non-institutional population 15 years of age and over who, according to the Labour Force Survey, were employed or unemployed.

Life Income Fund (LIF): Similar to an RRIF except that the assets originate from an RPP. It must be converted to an annuity by age 80. Unlike an RRIF, both minimum and maximum annual withdrawal limits are prescribed. Legislation regarding LIFs may differ from one jurisdiction to the next.

Lifelong Learning Plan (LLP): The Lifelong Learning Plan permits, commencing in 1999, tax-free "borrowing" from an RRSP to fund the full-time education of the taxpayer or the taxpayer's spouse. The taxpayer can borrow up to $10,000 in one year to a maximum of $20,000 over four years. They must commence repayments after the end of the fifth year following the first withdrawal and repay the entire amount over ten years. Yearly repayments are not tax-deductible. Amounts not repaid are considered to be RRSP income and are taxed; they are referred to as the LLP shortfall.

LLP Withdrawals: Amount withdrawn from an RRSP under the LLP rules.

Locked-in Retirement Account (LIRA): A locked-in plan similar to an RRSP except that the assets originate from a RPP and they cannot be accessed until the designated retirement age. It must be converted to an annuity, LIF or LRIF before the end of the year in which the holder reaches age 71. Legislation regarding LIRAs may differ from one jurisdiction to the next.

Locked-In Retirement Income Fund (LRIF): Similar to a LIF but these assets do not have to be converted to an annuity. Available only in Saskatchewan and Alberta.

Major income recipient: For each family, the major income recipient is the person with the highest income before tax. For persons with negative total income before tax, the absolute value of their income is used, to reflect the fact that negative incomes generally arise from losses "earned" in the market-place and are not meant to be sustained. In the rare situations where two persons have exactly the same income, the older person is the major income recipient.

Market value: Value of a particular investment or asset on a specified date, assuming that the investment or asset could be sold at current prices.

Median : The median is the value at which half of the units in the population have lower values and half have higher. To derive the median value, units are ranked from lowest to highest and then separated into two equal-sized groups. The value that separates these groups is the median. It corresponds to the 50th percentile.

Net assets (Chapter 3B only): Total assets after deducting debts and payables.

Net income/net cash flow (Chapter 3B only): Revenue minus expenditures.

Net PSPA: Total of exempt PSPAs and certified PSPAs for the year minus the RRSP qualifying withdrawals. The net PSPA reduces the RRSP deduction limit. A qualifying withdrawal is an amount withdrawn from an RRSP; it is considered as income and taxed. Such a withdrawal can be made when a PSPA cannot be granted certification because the PSPA amount is more than the RRSP deduction limit.

Non-contributory plan: An RPP under which the entire cost of the benefits is borne by the employer.

Non-financial assets, other (Chapter 5 only): Includes the value of the contents of the respondent's principal residence (e.g., major appliances, furniture, electronic equipment), valuables and collectibles (e.g. antiques, jewellery, coin collections), copyrights, patents, etc.

Non-financial assets: Total value of the respondent's principal residence (home), other real estate, vehicles and other non-financial assets.

Offset method of integration: In an RPP, where contributions and/or benefits are reduced by all or part of contributions to and/or benefits from the C/QPP.

Old Age Security (OAS): Federal program that provides, among other benefits, a pension to Canadians 65 or older who meet the residency requirements. Benefits are taxable and, on a quarterly basis, fully indexed to the CPI. Some or all of the benefit is not paid if net income exceeds a certain level.

Paid workers: In this report, paid workers include employees and self-employed persons with an incorporated business. It therefore excludes those self-employed with an unincorporated business, unpaid family workers and the unemployed.

Past service pension adjustment (PSPA): Applies only to members of defined benefit RPPs. A PSPA occurs when the pension benefit is upgraded, or additional credits purchased, for service in past years. In the first case, it is called an exempt (from certification) PSPA; in the second case, a certifiable PSPA. Only service after 1989 is considered.

Pension adjustment (PA): Calculated value of the pension accrued in the year in an RPP or a DPSP. The PA decreases the RRSP deduction limit. To calculate this limit, the PA from the previous year is used.

Pension Adjustment Reversal (PAR): The PAR increases a taxpayer's RRSP deduction limit. This usually occurs when a taxpayer leaves an RPP or DPSP before retirement and the termination benefit received is less than the total PA or PSPA reported previously. The difference between the termination benefit and the total PA or PSPA is the PAR.

Pension fund society: A society or company established under either a federal or provincial statute, whose sole purpose is to administer a pension fund in the same manner as a trust fund.

Pooled fund: A fund generally managed by a trust company or investment counselling firm containing all or a portion of the assets of two or more pension funds. Participating pension funds own units of the pooled fund. Various types of pooled funds are available such as equity funds, bond funds, mortgage funds, diversified funds, etc., allowing the employer to choose the asset mix.

Pooled vehicles: Includes pooled funds of trust companies and investment counsellors as well as segregated funds of insurance companies and mutual and investment funds.

Private pension assets: Includes money invested in RRSPs and RRIFs, the value of employer pension plan benefits and other pension generating assets such as deferred profit sharing plans and annuities.

Private Sector: Includes incorporated and unincorporated businesses, religious, charitable and other non-profit organizations, cooperatives, trade or employee associations, and private educational and health institutions.

Public Sector: Includes municipal, provincial and federal governments and enterprises, crown corporations, government boards, commissions and agencies, and public educational and health institutions.

Registered Pension Plan (RPP): An employer-sponsored plan registered with Canada Customs and Revenue Agency and most commonly also with one of the pension regulatory authorities. The purpose of such plans is to provide employees with a regular income at retirement.

Registered Retirement Income Fund (RRIF): A fund into which RRSP monies may be transferred. Payments from an RRIF may be varied, but a minimum amount must be withdrawn annually.

Registered retirement savings plans (RRSP): A capital accumulation program designed to encourage saving for retirement. Contributions are tax-deductible within prescribed limits. Investment income earned in the RRSP is tax-exempt, but benefits are taxable.

Retirement Compensation Arrangement (RCA): A plan or arrangement under which an employer, former employer, or in some cases an employee, makes contributions to a custodian.
The custodian holds the funds in trust with the intent of eventually distributing them to the employee (beneficiary) on, after, or in view of retirement, the loss of an office or employment, or any substantial change in the services the employee provides.

Rollovers: Transfer of eligible income into an RRSP. The money that is transferred is not taxable, until later withdrawn from the RRSP. The sources of income that could be transferred to an RRSP have changed over time. For details see the chapter on RRSPs.

RPP benefits: Payments made to pension plan members or to their beneficiaries under the terms and conditions of the pension plan.

RPP deduction: The employee contributions to an RPP that are deducted on line 207 of the income tax return. This does not include amounts contributed to the Canada or Quebec Pension Plans.

RPP coverage rates: Percentage of paid workers covered by a RPP.

RRSP deduction limit: The maximum amount that can be deducted from income (for income tax purposes) for an RRSP contribution in any year, including unused room from previous years. The annual new room is either a dollar amount or 18% of earned income, whichever is lower. For those who belong to an RPP or DPSP, the RRSP deduction limit is reduced by the amount of the pension adjustment.

RRSP income: Income originating from RRSPs in the form of lump-sum withdrawals or annuities; also included are the amounts not repaid to the HBP or the LLP (i.e. HBP/LLP shortfall).

RRSP normal contributions: The amount deducted for contributions to the RRSP of the taxfiler or the taxfiler's spouse that is within the deduction limit of the contributor and that reduces his/her RRSP room.

RRSP room: See RRSP deduction limit.

Segregated fund contract: An insurance company contract under which the assets of the pension plan(s) are segregated from the other monies of the insurance company. The fund may be for a single pension plan or may contain monies from more than one pension plan. There are no investment guarantees; the employer assumes responsibility for the adequacy of the fund to provide the promised benefits. This type of contract gives the employer more control over the asset mix.

Senior/senior families: Person aged 65 and over. In the case of senior families, the major income recipient is aged 65 and over.

Short-term investments: In this report, short-term investments means assets such as deposits, guaranteed investment certificates, provincial, municipal and Government of Canada treasury bills, discount notes, promissory notes, call loans, bearer demand notes, banker's acceptances and finance and commercial paper.

Spousal RRSP: Plan set up for the benefit of a spouse. Contributions are claimed as a deduction by one spouse, but credited to the partner's RRSP.

Step-rate method of integration: Type of integration with C\QPP used by an RPP, whereby two contribution and/ or benefit rates exist, most commonly for earnings above and below the YMPE.

Supplementary Executive Retirement Plan (SERP): a plan provided by employers to their senior employees. These plans may be pre-funded or may just consist of a promise by the employer of future income to supplement the benefits from an RPP.

Transfers: See rollovers.

Trust agreement: Contract between an employer (or plan sponsor) and an individual or corporate trustee, which sets out in writing the terms and conditions for the administration of a pension fund and/or for the investment of the monies.

Trust company : A company which is responsible for holding and investing the assets of a pension plan under the terms of a trust agreement between the employer (or plan sponsor) and the trust company.

Trusteed pension fund: A fund established according to the terms of a trust agreement between the employer (or plan sponsor) and an individual or corporate trustee. The trustee is responsible for the administration of the fund and/or the investment of the monies. The employer is responsible for the adequacy of the fund to pay the promised benefits.

Unattached individual: An unattached individual is a person living either alone or with others to whom he or she is unrelated, such as roommates or a lodger. In some tables in this report some of the above categories are grouped together, for example, non-elderly couples with other relatives and other non-elderly couples.

Unfunded liability: Amount by which the assets of the plan must be augmented to ensure that it is fully funded. The liability could have been created at the inception of the plan or as the result of an amendment affecting benefits.

Unit benefit plan: A type of RPP in which members earn a unit of pension, often expressed as a fixed percentage of earnings, for each year of credited service/participation. Includes career and final average earnings plans.

Unused (undeducted) RRSP contributions: Contributions made to RRSPs since 1991 that were not claimed as an RRSP deduction on any tax return. Some of this would include amounts contributed to an RRSP in excess of the permitted entitlement. Prior to 1995, an individual could contribute a cumulative amount of up to $8,000 over and above their normal contributions, without penalty. The 1995 federal budget reduced this amount to $2,000.

Unused RRSP room: The amount of the RRSP deduction limit that is not claimed by the taxfiler. Unused room may be carried forward, indefinitely.

Vesting: The right of a plan member to the employer's contribution to an RPP or a DPSP as a result of achieving a specified length of service or plan membership.

Year's Basic Exemption (YBE): Earnings below which contributions to the C/QPP are not required. These earnings were about one-tenth of the YMPE and were frozen at $3,500 in 1998.

Year's Maximum Pensionable Earnings (YMPE): Maximum earnings on which contributions to and benefits from the C/QPP are determined.

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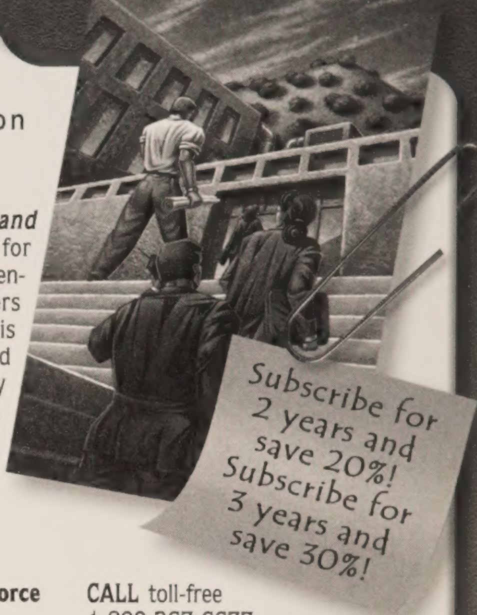

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ISBN 0-660-18978-X
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